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NATO Fixes Targets for Air Strikes Against Serbs

By Craig R. Whitney

BRUSSELS—NATO on Monday approved procedures and targets for air strikes against Serbian forces, should they keep up their "strangulation" of Sarajevo, but the allies said they would not start bombing missions without specific approval by the secretary-general of the United Nations.

Although the North Atlantic Treaty Organization already has in place airplanes and coordination procedures with UN peacekeeping forces in Bosnia-Herzegovina, officials said the bombers would not go into action unless the Serbs kept tightening the noose around Sarajevo and other besieged areas, and then only after all 16 allies had met in Brussels again to approve.

Clinton administration officials who had urged the allies to act on their own initiative and had tried to minimize the extent of UN control over possible NATO military action, insisted that Monday's agreement was a success. It reiterated but in some ways also qualified a threat the United States persuaded the allies to make Aug. 3.

"Now it is up to the Serbs whether the air strikes will occur," said Stephen Oxman, U.S. assistant secretary of state for European and Canadian affairs. "We are ready to act."

"It is essential that the Bosnian Serbs lift without delay the siege of Sarajevo," NATO's secretary-general, Manfred Wörner, said after the meeting Monday. "If not, the Council will meet immediately to consider the use of air power."

The statement also said that Serbian-occupied heights around the Bosnian capital had to be put under UN control.

"The principal and basic objectives of the United States have been reached to an extent, some might have believed impossible originally," Mr. Wörner said. "Some compromises had to be made."

Other officials said the United States had recognized this and had pushed a decision through in only four hours by taking French, British, and Canadian objections to more forceful action into account and presenting a new proposal as a joint draft.

Britain, France, Spain and other European allies, unlike the United States, have thousands of soldiers in the UN force in Bosnia and are worried about bombing errors, as well as

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Prime Minister Morihiro Hosokawa sharing a toast with members of his new cabinet in Tokyo on Monday. From left are Tsutomu Hata, the foreign minister; Mr. Hosokawa;

Sadao Yamahana, minister for political reform; Koshiro Iihara, state minister for management and coordination, and Masayoshi Takemura, chief cabinet secretary.

New Japanese Cabinet, Same Economic Script

By Steven Brull

TOKYO—No opening of the rice market. No caving in to American demands for trade targets. No cutting income taxes to breathe life into the stagnant economy.

While the names are new, the first comments from the cabinet ministers in charge of Japanese economic policy sound remarkably similar to those of the Liberal Democratic

Party officials who have just been ousted from power after 38 years.

In fact, the men appointed Monday by Prime Minister Morihiro Hosokawa to direct the Finance Ministry and the Ministry of International Trade and Industry are both former Liberal Democrats who began their careers as bureaucrats in the ministries they now lead.

Mr. Hosokawa named Hirohisa Fujii, 61, to

head the Finance Ministry and Hiroshi Kumagai, 53, to lead the trade ministry.

"The faces have changed, but policy and policy-making is likely to follow established conservative patterns," said Jasper Koll, economist at S.G. Warburg Securities.

The governing coalition has expressed a commitment to reform policies by making it more representative and free of corruption.

And Mr. Hosokawa's cabinet is the most diverse in Japan's postwar history, including representatives from seven parties. Three of the 20 appointees are women. (Page 6)

But in economic policy, the new government stressed continuity and stability in its choice of cabinet members for the main ministries. The appointments reflected a desire to avoid conflict with bureaucrats at economic

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Kohl Doubts Timetable for Single EC Currency

He Says Delay of a Year Or Two Won't Hurt if Strict Criteria Are Kept

By Ferdinand Proizman

BONN—Chancellor Helmut Kohl cast doubt Monday on the European Community's timetable for creating a single currency by 1999, saying strict adherence to the economic criteria laid down in the Maastricht Treaty on European Union might delay the process by a year or two.

It marked the first time the head of a European Community nation has said publicly that the timetable for monetary union might not be kept. But Mr. Kohl stressed that Germany's commitment to the goal of European union remained unchanged. The chancellor made his remarks in an interview with Germany's SAT-1 television network.

Mr. Kohl also made his first public comment on last week's currency crisis, which resulted in seven of the nine currencies in the European Community's exchange-rate mechanism being effectively allowed to float in a broad range against the Deutsche mark. France, whose currency was the target of speculative selling that sparked the crisis, began to try its new freedom to cut interest rates on Monday. (Page 9)

The chancellor praised Germany's handling of the crisis and said the real problem underlying the turmoil in the foreign-exchange market was the failure of the EC nations to put their public finances in order.

To do that, he called for rigid adherence to the so-called convergence criteria laid down in the Maastricht treaty, which calls for creation of a single currency by 1999. The criteria require the 12 EC nations to harmonize their budget deficits, inflation rates, public-sector debt and other economic indicators at specific levels as a precondition for monetary union.

"We must on no account ease the very strict conditions for national economies for the budget and debt situation, but must maintain the strict measures and commitments of the Maastricht treaty," Mr. Kohl said.

Mr. Kohl said that if adhering to the criteria means that "the timetable now envisaged is delayed by one or two years — and I don't know this, nobody knows this — then I ask, what does that change in the basic course?"

Economists agreed that even before the crisis, it had become increasingly apparent that the timetable for monetary union would have to be extended.

"Delaying the timetable has been in the cards for some time now," said J. Paul Horne, international economist with Smith Barney Shearson in Paris. "If the timetable is changed, then the process gains credibility. But if you loosen the criteria, then things begin to get all fuzzy and monetary union is threatened."

According to Mr. Kohl, Germany's commitment to European union was shown by its actions in the currency crisis.

"We Germans have in recent days demonstrated our European convictions," he said. "The close and good cooperation between the Bundesbank and government has proved its worth, especially this time."

Many economic experts say the crisis was triggered by the Bundesbank, which has kept interest rates relatively high to counter inflationary pressures stemming from the government's massive borrowing to pay for unity with the formerly Communist East.

Interviewed while vacationing in Austria, Mr. Kohl disputed the claim that German officials had isolated the French government in the 11th-hour deliberations in Brussels that resulted in new, wider trading bands for most of the European Monetary Union currencies. France had suggested temporarily removing the Deutsche mark from the EMS as the solution to the crisis.

"We did not isolate the French. If the French made the proposal, let us not beat around the bush, that the mark should leave the system for a while, then that was a matter for the French," Mr. Kohl said, adding that the French suggestion had surprised him.

He said he immediately responded by asking, "do you think the others want this?" and telling the French that other countries would reject the idea. "And that is what happened," he said.

Serbian Troops Withdraw From a Key Mountain Top

Frail Symbol Of Bosnia War Flown to U.K.

Reuters

LONDON—A critically wounded Bosnian Muslim girl who has become a symbol of the plight of Sarajevo arrived in Britain on Monday for medical treatment.

The 5-year-old girl, Irma Hadzimiratovic, was evacuated by air from Sarajevo earlier in the day after an appeal by her doctor. She arrived at Heathrow Airport aboard an air ambulance and was taken to a children's hospital, where she will be treated for severe head, spinal and abdominal injuries suffered in a Serbian mortar attack on July 30 that killed her mother.

She was airlifted aboard a British transport first to an Italian relief base at Ancona. Her doctor in Sarajevo, Edo Jaganjac, had made a desperate appeal for an emergency evacuation as the only chance of saving her life.

The girl's father and a 3-year-old sister were also on the flight to London.

"This child was not evacuated because of humanitarian reasons but because of the pressure from the public and the press," Dr. Jaganjac said. He had tried in vain for days to persuade UN aid organizations to fly the girl abroad for tests and treatment unavailable in Sarajevo.

The case exposed the absence in the UN medical evacuation program of any emergency airift procedure for persons who would die without treatment abroad.

Action was taken only after Dr. Jaganjac brought Irma's plight to world attention during the weekend.

"I fear that for the next child who has to be evacuated we will have to do this again," he said.

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina—Serbian troops lowered their flag and withdrew Monday from a strategic mountain top near Sarajevo, bolstering prospects for peace talks in Geneva.

A United Nations spokesman, Lieutenant Commander Barry Frewer, confirmed the withdrawal from Mount Bjelasnica, but he said tanks and artillery were still in place on nearby Mount Igman.

The Bosnian Serbs agreed Sunday to begin withdrawing from both Mount Bjelasnica and Mount Igman—captured last week from Muslim forces—if UN peacekeepers could ensure that the strategic positions would be kept neutral territory.

The political leader of the Bosnian Serbs, Radovan Karadzic, said earlier Monday that Serbian troops were already making a phased withdrawal from the two heights, whose fate, he said, depended on whether the United Nations "is capable to take the mountain under control."

"We will withdraw completely," Mr. Karadzic affirmed, adding that the Serbs would also stop shelling Sarajevo.

Linked to a pullout is a resumption of the Geneva talks, interrupted last week when the president of Bosnia-Herzegovina, Alija Izetbegovic, walked out of the negotiations, complaining about the Serbs' seizure of the mountain tops.

The leaders of Bosnia's warring factions returned Monday to the Geneva venue of talks on an ethnic partition of their country.

But Mr. Izetbegovic said he would sit down face-to-face with the Serbian and Croatian leaders only if international mediators first assured him that the Serbs were withdrawing from the key heights over Sarajevo.

"There were no negotiations today because we established that Serbs did not withdraw from the mountains Igman and Bjelasnica," the Muslim leader said late Monday. "We will come again tomorrow at 10 o'clock and we will start negotiations if Serbs have withdrawn."

Commander Frewer, the UN spokesman, said in Sarajevo: "The Serb flag is down from Bjelasnica, and there is no sign of Serb troops in the immediate vicinity."

Asked to confirm that Serbian tanks and

See BOSNIA, Page 2

Kiosk

UN Chief Assails Somalia Killings

UNITED NATIONS, New York (Reuters)—Secretary-General Butros Butros Ghali deplored on Monday the killing of four American soldiers serving with a UN-led mission in Somalia when their vehicle was blown up by a mine that he said was probably detonated by remote control.

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Business / Finance

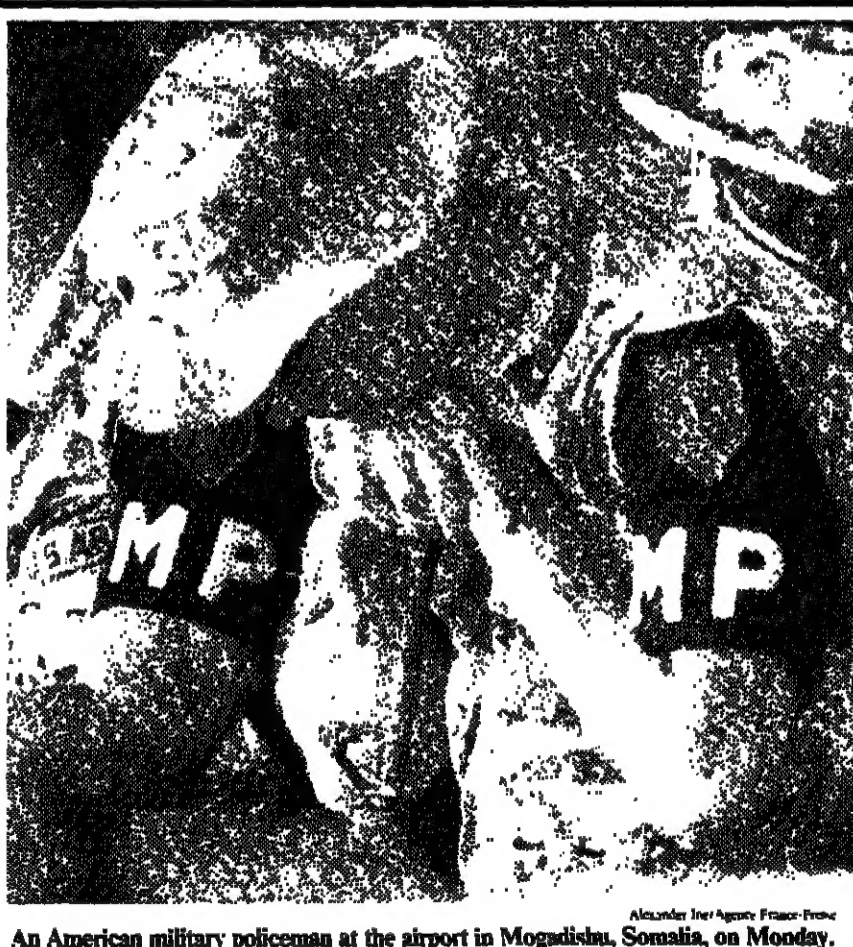
Cao British Airways make a success of its far-flung minority stakes? Page 9.
A cleaned-up Thai stock market looks ready to rebound. Page 13.

Book Review

Chess Page 6.

Dow Jones	Trib Index
Up 15.55	Down 0.08%
3,576.08	105.53

The Dollar	Mon. close	previous close
DM	1.568	1.587
Pound	1.4908	1.4976
Yen	104.86	104.425
FF	5.857	5.8268



An American military policeman at the airport in Mogadishu, Somalia, on Monday.

Innovative Europe Finds It Can Compete With Asia

By Tom Redburn

GENEVA—When Hewlett-Packard, the California-based computer industry giant, was studying locations for its new ink-jet printer factory, it had plenty of possibilities.

"H-P has substantial operations in the United States, Mexico, Brazil, five European countries, Singapore, Malaysia, and more," said Franco Mariotti, a senior vice president at Hewlett-Packard and chairman at its Europe,

Middle East and Africa headquarters here.

"We're looking at China."

"We're going up against guys who can make their products in Taiwan or anywhere else," he said.

Starting Over

Restructuring businesses and economies.

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added, "There's no way you can keep your position unless you're competitive."

The company, in a decision announced just this March, selected Barcelona.

At a time when many Europeans are despairing over what they see as an all-but-impossible task of maintaining their high standard of living against a flood of cheap-labor imports from Asia and elsewhere, the example of Hewlett-Packard shows that there is another side to the story.

In a wide variety of important manufacturing industries, a number of business executives and analysts argue that Europeans can compete

with the rest of the world. But to make it in the future, they say, Europe will have to make it differently.

"It's a myth that cheap labor costs are the key

Rising costs of welfare aggravate Europe's growing economic malaise. Page 2.

to industrial success," said Thomas E. Vollmann, a professor of manufacturing at the

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In a Caucasian Region Torn by War and Anarchy, U.S. Diplomat Is Latest Victim

By Margaret Shapiro

MOSCOW—An American diplomat in the Caucasian nation of Georgia was unsure Monday whether the slaying of an American diplomat who was on temporary duty there was a random act or reflected some political motivation.

The diplomat, Fred Woodruff, was killed by unidentified gunmen who fired Sunday night at a car in which he was riding near Tbilisi, the Georgian capital.

Georgia is battling separatist rebellions that have turned much of the mountainous republic into an armed camp.

Mr. Woodruff, 45, was returning from what authorities in Tbilisi said was a sightseeing trip with the security chief for the Georgian leader, Eduard A. Shevardnadze, when armed men attempted to halt the car.

The driver sped on without stopping and the gunmen fired, hitting Mr. Woodruff in the head.

Mr. Shevardnadze's security chief, Eldar Guguladze, escaped unhurt, according to officials of the Georgian Interior Ministry.

The U.S. Embassy in Tbilisi issued a statement condemning the shooting of Mr. Woodruff, who arrived in June for summer duty in the embassy's Political Affairs Section.

Mr. Woodruff, who was married and had children, was scheduled to return to the United States on Aug. 20, according to a report from Tbilisi by The Associated Press.

Since the collapse of the Soviet Union in December 1991, violence has spiraled out of control in most of the former republics. Well-armed gangs operate with impunity,

warfare has devastated towns from the Black Sea to Tajikistan, and general lawlessness prevails.

Moscow has been the scene of dozens of contract murders, including several involving foreigners and foreign businesses.

But no place seems so out of control as the historically violent and feuding Caucasus area, comprising Armenia, Azerbaijan and Georgia as well as smaller ethnic groups. Well-armed men, often in battle fatigues, wander the streets of the largest cities and stop journalists and others to demand cameras, tape recorders and valuables.

Train bandits regularly hold up passengers. Highway robbery by armed groups has become a fact of life and vehicles are often stolen at "checkpoints."

Politically motivated murders also have become commonplace. In one section of the Caucasus under Russian rule, gunmen on horseback recently murdered a military

governor sent by President Boris N. Yeltsin specifically to quell violence in the region.

On Sunday, the autocratic leader of Russia's breakaway Chechnya republic, Dzhokhar Dudayev, narrowly escaped being killed by grenades in his office.

In Tbilisi, lawlessness is so out of hand that residents no longer rely on the police and have begun to resort to mob justice. Last week, several hundred people grabbed three shooting suspects from police custody and tore one apart and injured another so severely that he died in a hospital.

"There are huge amounts of weapons on the street now," said a Georgian movie maker, Eldar Shengelaya. "When the dark closes in, people just stay indoors and you can hear shooting around the city."

Mr. Shevardnadze said that the death of Mr. Woodruff showed that "there are mafioso structures and criminal

elements that are very active." He repeated his previous call for "extraordinary measures" to bring the once relatively prosperous country under control.

Mr. Shevardnadze, elected in 1992, has had to contend with a bloody separatist uprising in the Abkhazian region on the Black Sea as well as insurrection against him.

Secretary-General Butros Butros Ghali recommended Monday the immediate deployment of a United Nations military observer mission to Georgia to help monitor a July 27 cease-fire agreement between the Georgians and the Abkhazian separatists, Reuters reported.

If approved by the Security Council, it will be the first UN military observer team sent to any of the former Soviet republics.

In a written report to the Council, Mr. Butros Ghali proposed that the observer mission be commanded by a Danish brigadier general, John Hvidegaard.

Costs of Welfare Add to Europe's Economic Malaise

By Roger Cohen
New York Times Service

THE HAGUE — Hans van der Valk, a former assistant professor at Delft University, is suffering from an ailment that has attained epidemic proportions in the Netherlands: stress. So he has stopped working and for the last three years has been collecting \$1,630 a month in disability benefits.

"The doctor said I was suffering from stress because I was so worried about obtaining research money and so obsessed with colleagues talking behind my back," Mr. van der Valk, 48, a physicist, said. He is vaguely contemplating some other line of work, but meanwhile is assured of his disability pay until age 65.

Rene Jansen, an official at the Ministry for Social Affairs, said 912,000 people, or about 18 percent of the work force of the Netherlands, receive disability pay. Confounding the stereotype of a nation of placid

job, the more unemployment benefits there are to pay, so resources are dwindling as demand soars.

The number of unemployed in the European Community, whose economies as a whole are expected to shrink five-tenths of 1 percent this year, has already risen to 18.1 million from 14.3 million in 1991 and is expected to reach at least 19 million next year.

But other forces are also prompting questioning of the structure of Europe's welfare states.

The rapid aging of the population — Western Europeans, like Americans, are living longer — is squeezing pension plans. Because older people spend more on health, the aging is also contributing to sharply rising medical costs in many European countries.

In France, a recent study projected that the deficit in the government pension budget would soar from about \$3.5 billion today to about \$35 billion by 2010 if radical reforms are not enacted, because the ratio of active to retired people is shrinking fast. Overall, France's deficit on its annual \$280 billion comprehensive social security budget is likely to grow from \$7 billion today to \$17.5 billion by the end of next year unless new revenue is found.

"The tendencies are catastrophic," Mr. Oudiz said. Similar shortfalls are reported throughout Western Europe.

From Sweden, until recently the paradigm of the welfare state, to Italy, with its swelling budget deficit, laws are being passed to cut the range and cost of welfare programs.

The German government, which has had to cope with the exceptional costs of unifying East and West, recently proposed cutting benefits for the unemployed. While people of the former East Germany have had to forsake the east-to-west social safety net of the Communist system, they have been largely integrated into the social security systems of the West, at great cost to the Bonn government.

In France, the government has pushed through a range of measures to control costs, like lowering retirement payments, reducing reimbursement for medical expenses and shortening the period during which the unemployed can receive jobless benefits.

In the Netherlands, the rules governing disability benefits have been tightened as of Aug. 1, with the aim of saving more than \$2 billion.

"Before, the top priority was protection for people," said Mr. Jansen, the Social Affairs Ministry official. "Now the priority is avoiding fraud, getting people back to work as fast as possible, and encouraging citizens to supplement national insurance with private insurance policies."

Of course, such measures set off fierce opposition. But even when the public approves of cuts in benefit programs, experts are questioning whether the basic concept of comprehensive, or at least far-reaching, social protection is still tenable.

A German manufacturing worker costs employers about \$26.89 an hour, of which benefits account for 46 percent. In contrast, the average hourly pay of an American worker, \$15.89, and benefits, about 28 percent of the wage, are much lower.

In 1992 alone, unit labor costs in the European Community grew 4.1 percent, compared with 2.4 percent in Japan and 1.4 percent in the United States, according to the Organization for Economic Cooperation and Development.

In some cases, benefits designed to cushion society from social problems seem to be worsening those ills. In effect, social security systems are deterring corporations from offering what many people view as the greatest single greatest source of security to an individual — a full-time job.

Indeed, in Spain, new full-time jobs have become a rarity because of the protection guaranteed workers. More than 35 percent of the Spanish labor force is working on temporary contracts of a maximum of three years.

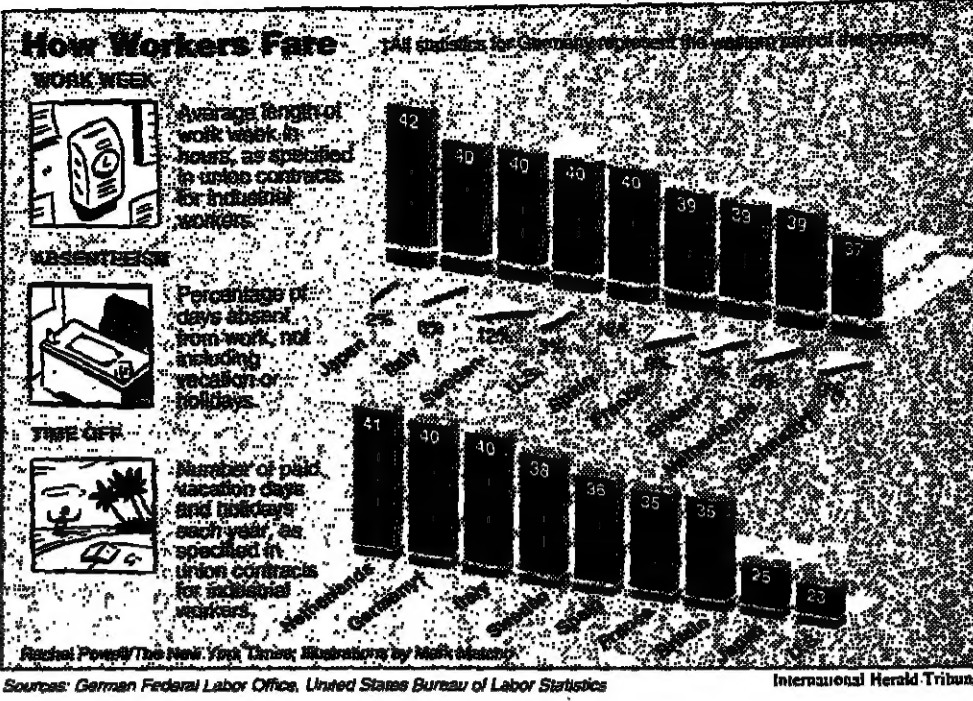
"It is very hard, in a modern economy of rapid change, to manage a company that you cannot adjust," said Gonzalo Hinojosa, the chief executive of Cortefiel, a big Madrid clothing and retail company. "That is why we have to use a lot of temporary labor, even though it is far from ideal."

In 1986, Cortefiel shifted some production from Spain to Morocco, where labor costs are about 25 percent of Spanish levels, social security taxes are minimal, and hiring and firing is far more flexible. "In this way, we can compete against textile manufacturers in the Far East," Mr. Hinojosa said.

European labor leaders fear that this trend is permanent. "Industry now just consists of financiers taking a look at the world and seeing where they can make the most profit," said Christian Muller, a labor official at the Hoover vacuum cleaner factory near Dijon, France. "Well, it costs \$5 francs an hour for a specialized worker in France, compared with about 5 francs in Poland and one franc in Russia. The calculation doesn't take long."

Mr. Muller predicted "civil war" should the movement of jobs out of Europe and reductions in benefits continue. "We're going toward an American system," he said, "and it just won't work here."

He has reason to be bitter. His job and 617 others at the Hoover plant were eliminated earlier this year when the Maytag Corp., which owns Hoover, decided to transfer production to Scotland, where labor and social security costs are about 37 percent lower than in France. The factory in Dijon is to close early next year.



Sources: German Federal Labor Office, United States Bureau of Labor Statistics, International Herald Tribune

A Continent Adrift

Second of a series

burghers, nearly a third of those recipients suffer from stress.

What is starkly clear is that the ballooning costs of social welfare programs for the disabled, the infirm, the elderly and the unemployed in Europe are threatening the Continent's economic future. In Spain, there is now one person receiving a social security benefit for every one working.

As a result the welfare state, the crowning achievement of Social Democratic and Christian Democratic governments in postwar Europe and a model from which the Clinton administration wants to borrow, is under unprecedented strain. The system has become so costly — often adding as much as 30 percent to labor costs through payroll taxes — that it may be shutting Europe out of an increasingly competitive global economy.

Swissair proved the point with one of its units. As of July 1, the company moved part of its accounting department to Bombay from Zurich. About 50 jobs were lost in Switzerland; the same number were created in India.

"There are highly trained people in Bombay, we're connected directly to them through our data network, and they work for a fraction of the cost of the Swiss," said Herbert Schnell, a Swissair spokesman. "We expect a saving of about \$5 million."

Such business decisions underscore a fundamental question: Have the rapid changes in the world economy rendered Europe's system unsustainable? Or is a European recession simply causing serious financial problems that will pass when recovery comes?

"Either, as I believe, Europe's comprehensive social security coverage will emerge intact from Europe's recession, or we are at the beginning of an economic and cultural revolution that will throw the whole system into doubt," said Frédéric Oudiz, who oversees government benefits at France's Budget Ministry. "If it is the latter, I'm Swissair pointing the way, then the social consequences will be dire."

Europe's recession and soaring unemployment have certainly placed new strains on benefits. Most European social insurance programs are financed through payroll taxes on workers and employers, so the fewer salaried workers there are, the less money flows into social security budgets. But the more people out of a

Another U.S. Issue: Deadlock in Angola

By Thomas W. Lippman
Washington Post Service

WASHINGTON — Far from the spotlight of Bosnia-Herzegovina, the Clinton administration is groping for ways to end another intractable conflict in which U.S. interests are not readily apparent: the civil war in Angola.

Hundreds of Angolans are being killed each day and the war has fallen into a military and diplomatic stalemate.

Neither the Luanda government nor the rebel forces of Jonas Savimbi's National Union for the Total Independence of Angola, known by its Portuguese acronym as UNITA, is capable of outright military victory, according to analysts. But neither is sufficiently desperate to stop the conflict.

Mr. Savimbi's forces are said to control about 80 percent of the country, leaving the government with an L-shaped swath along the Atlantic and the border of Namibia plus the oil-producing enclave of Cabinda in the northwest corner.

Clinton administration officials have decided that the United States has some responsibility for the conflict in Angola, a senior official said. Throughout the Cold War in the 1980s, Washington backed Mr. Savimbi against the pro-Moscow government of José Eduardo dos Santos. But now it has recognized the dos Santos government.

"We are not willing to just take a walk," the official said, partly because of the U.S. role in the conflict and partly because of fears that the Angola crisis could engulf neighboring Zaire and create more turmoil throughout central Africa.

"If we can find a useful way to get people to stop the killing, that would be the least we can do — and maybe also the most we can do," the official said.

The immediate objective is to "nudge Savimbi back to the negotiating table, but that is not an easy task," the official said, especially because UNITA is winning most of the battles.

But no specific U.S. proposals have been offered, a fact that seems to have caused some friction between the State Department, which is committed to caution, and the Defense Department, where some officials seek a more aggressive approach.

Washington has rebuffed feelers from the beleaguered dos Santos government for limited military aid, senior officials said.

150 Said to Die in Battle

Fighting raged Monday in the besieged Angolan government stronghold of Cuio and the state radio said 150 people died during the day. Reuters reported from São Tomé.

"The city is under intense fire," the broadcast said. "There are many corpses in the streets." It said residents were trapped in homes without food and that many dead probably remained uncounted.



ROYAL PROCESSION — King Albert II and Queen Paola walking to a reviewing stand in Brussels on Monday after he was sworn in to succeed his brother, King Baudouin, who died July 31 of heart failure. Albert, 59, called for unity to make Belgium "a model of justice and peace."

BOSNIA: Serbs Begin Pullout From Sarajevo Peak

Continued from Page 1

artillery remained on Mount Igman, he said. "They have not moved from Igman."

John Mills, another UN spokesman, said, "If there are Serb troops on Mount Igman, it's clearly in contravention of assurances the UN has given, and they should withdraw."

Leaders of the warring factions had to enter the UN's headquarters in Geneva by a side entrance because riot policemen had sealed off the main gates with barbed wire to bar hundreds of Bosnian Muslims staging a loud protest against what they feared was a carve-up of their country.

Several dozen of them have begun a hunger strike which they say to continue until the ethnic division plan is dropped and the European Community envoy, Lord Owen, who they say backs the Serbs, has been dismissed.

The Geneva peace talks are to focus on maps for Muslim, Serbian and Croatian republics that are to form a new Bosnian "union," which the three leaders agreed on 10 days ago.

Although Sarajevo remained relatively quiet Monday, there was no significant reduction in fighting on other war fronts.

The Croatian radio reported a new Serbian artillery attack on the Maslenica pontoon bridge near the Adriatic on the only highway link between northern and southern Croatia.

The bridge is a flashpoint that could provoke renewed warfare between Serbs in the Krajina enclave in Croatia and Croatian troops.

The Croatian command said at least 23 shells were fired at the Maslenica bridge as workers started to repair earlier shelling damage.

Meanwhile, a top World Health Organization official warned Monday that scores of mental patients might soon be turned loose in the streets of Sarajevo because the psychiatric hospital there has no electricity.

A special representative of WHO, Sir Donald Acheson, citing the medical oath to treat the ill, urged authorities to find some way to avoid shutting the Kosevo Hospital psychiatric wing.

NATO: Targets Approved

Continued from Page 1

about the possibility that Serbs could retaliate against them for any air strikes.

The statement issued Monday stressed that NATO's threat was meant to be "limited to the support of humanitarian relief."

The alliance also agrees with the UN secretary-general, Boutros Boutros Ghali, "that the first use of air power in the theater shall be authorized by him," the statement says.

According to diplomats in Brussels, the military options discussed Monday were limited in scope, and all were aimed at ensuring a continued flow of humanitarian supplies to Muslim and other refugees. They are also aimed at encouraging a settlement at the Geneva peace talks, where a possible partitioning of the country is being discussed.

Any air strikes, diplomats said, will be triggered only after close coordination with the UN commander in Bosnia, Lieutenant General Francis Brigueonnet, and the overall commander of UN forces in the former Yugoslavia, General Jean Cot.

More than 50 U.S., British, Dutch and French planes have been positioned in Italy and in the Adriatic, ready to provide air support to UN commanders ever since July 22, but they have not yet been asked to do so.

"What we are trying to do is stop the fighting," one official said. "On Nov. 1 the temperature in Sarajevo will be below freezing, and a catastrophe will ensue for the people living there if the siege continues."

Officials did not disclose the targets they were prepared to strike, but they said none of them was in Belgrade or Serbia proper.

The plan sent to the UN calls for graduated air strikes of varying degrees of intensity that could be triggered by Serbian actions on the ground in Bosnia. Bombing attacks could be limited to individual targets like artillery pieces or mortars or could be carried out against a large number of targets over a wide area simultaneously.

(Reuters, AFP)

WORLD BRIEFS

German Hostel Fire Kills 2-Year-Old

CLOPPENBURG, Germany (Reuters) — A 2-year-old Lebanese child was killed on Monday when fire swept through a hostel for asylum-seekers in the northern German town of Emmek, the police said.

Four other Lebanese children, aged 11 months to eight years, managed to flee the blaze, which broke out while their parents were at a nearby hospital where the mother was undergoing surgery.

The police said they had not yet determined whether the fire was accidental or the latest attack by neo-Nazi gangs that have been targeting foreigners, the homeless and disabled in a wave of beatings and firebombings. Rightist extremists have killed at least 25 people since Germany was reunified in 1990.

Chad Bans Protests After Killings

NDJAMENA, Chad (Reuters) — Chad's military-led government banned tribal and religious demonstrations on Monday, a day after President Idriss Deby's palace guard mowed down armed protesters in the capital.

France, the former colonial power, which has strongly backed General Deby, expressed its concern over Sunday's carnage in Ndjamena. At least 41 people, including seven policemen, were killed, according to the official toll. An nationwide nighttime curfew was imposed Sunday.

The government has sent troops to Abéché, the capital of the eastern Ouaddai region. Sunday's street protest in a Ndjamena suburb began after settlers from Ouaddai said prayers for at least 82 tribesmen, all civilians, killed near Abéché on Wednesday. The protest turned violent and witnesses said it was ruthlessly put down by members of the palace guard, who are mainly from the president's Zaghawa tribe.

Ramos Cites Beijing Vow on Spratlys

MANILA (AP) — Qiao Shi, the top official in China's parliament, assured President Fidel V. Ramos on Monday that Beijing wants a peaceful settlement of conflicting claims over the Spratly Islands.

Mr. Qiao was visiting the Philippines on the final stop of a tour of countries belonging to the Association of South East Asian Nations. After talks between the two men that included the issue of sovereignty over the islands, Mr. Ramos said that the Chinese official had reaffirmed Beijing's policy of "peaceful resolution of the conflict."

The Philippines, China, Vietnam, Malaysia, Taiwan and Brunei claim all or some of the islands, which are believed to be rich in mineral resources.

10 in Nigerian Opposition Arrested

LAGOS (Reuters) — Security agents raided a democracy-campaign headquarters and arrested 10 people on Monday, apparently hoping to head off protests from Nigerians expecting a thinly veiled extension of military rule.

The sweep looked like the start of a crackdown on activists before President Ibrahim Babangida announces his next move in a crisis that has gripped Nigeria's most populous nation since he annulled the election of a successor in June. The target of the raid was the home of the opposition leader, Boko Ransome-Kuti, which serves as the office of Campaign for Democracy.

Analysts believe General Babangida is considering meeting his Aug. 27 deadline to end 10 years of military rule by trading his uniform for a suit and putting himself at the head of a nominally civilian government. Thousands of people have left Lagos and other cities, fearing the crisis may lead to riots or war.

Japanese Life Expectancy Still Highest

TOKYO (AP) — Life expectancy in Japan remains the highest in the world despite a recent slight decline for men, according to a study made public Monday by the Ministry of Health.

Japanese men can expect to live 76.09 years, down from 76.11 years in 1991, while women in Japan are likely to have a life span of 82.22, against 82.11 two years ago.

Life expectancy for Japanese men has been the highest in the world for seven years while women have topped the list for eight years. Icelandic men came in second place for longevity at an average 75.71 years, while French women have the second longest life expectancy, 80.94 years.

Sinn Fein Seeks Arms for Politicians

BELFAST (Reuters) — The Irish Republican Army's revolutionary wing on Monday demanded police permission for its politicians to carry weapons after the son of a Sinn Fein councillor was shot and killed by Protestant extremists. Such demands have been rejected in the past because of Sinn Fein's links with the IRA.

The Ulster Freedom Fighters, an outlawed group fighting to keep Northern Ireland British, admitted responsibility for killing Sean Lavery, 21, on Sunday. Gunmen raked his home with 30 shots.

His father, Bobby Lavery, a Sinn Fein councillor, was warned by police 10 days ago he could be a target but they rejected his plea to be allowed to carry a weapon, Republican sources said. It was the 10th attack this year by Protestant extremists on members of Sinn Fein, the political wing of the Irish Republican Army, which is battling to oust Britain from Northern Ireland.

Correction

An article in Saturday's edition about Hong Kong property prices failed to point out that the costs cited in one example — \$5,000 to \$8,000 a month for one room in a small shared apartment — were actually in Hong Kong dollars. The U.S. dollar is worth 7.75 Hong Kong dollars.

TRAVEL UPDATE

No 'Disaster,' London Palace Insists

LONDON (Reuters) — Buckingham Palace denied Monday that its opening to visitors had flopped, but tabloids spoke of a snub to Queen Elizabeth II and accused courtiers of getting their figures wrong about the expected turnout.

A spokeswoman said there was no sense of disappointment among organizers that only 9,500 visitors had toured the building over the weekend after it was opened to the public Saturday. "No one ever really knew how many people would turn up," she said, adding that the daily allocation of 7,000 tickets had been only a maximum capacity figure, not a fixed target.

"Queen snubbed; Palace grand tour ends up as a disaster." Today said in a front-page story on what it called a "monster flop" for the monarchy. "Now that the palace is playing to half-empty houses will attract more tourists? It seems that they can't even attract thousands," Today said.

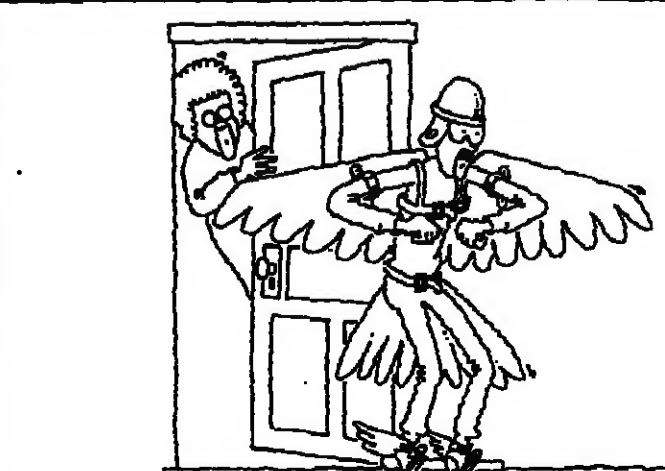
Britons driving in France have been urged by their automobile association not to resist highway robbers, to carry a minimum of cash and valuables and to give it up without argument at the sight of a weapon. A recent innovation of highway pirates is to ram a tourist's car from the rear and rob the occupants at gunpoint when they pull over.

Fires in Spain swept uncontrollably through the Huelmo-Santillan Natural Park in the south on Monday while fire fighters managed to put out several blazes along the Mediterranean coast. About 1,300 hectares (3,200 acres) of pine and oak forests in the park, and surrounding areas — 20 kilometers (12 miles) east of Granada — had burned by early Monday, according to the regional fire-control office.

Trucks and Turkish vacationers heading west have caused a 20 kilometer (12.5 mile) traffic jam on the Bulgarian-Romanian border, already overloaded due to an embargo on the former Yugoslav federation, the police said Monday.

Vietnam has doubled the size of the airport terminal in Da Nang, the Vietnam News Agency said. The renovation follows similar upgrades in Saigon and Hanoi.

OVERHEARD



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STATESIDE / LESSONS LEARNED

★ POLITICAL NOTES ★

The Quiet Man Who Got the Budget Through

WASHINGTON — Senator Bob Kerrey of Nebraska cast the vote that tipped the balance for President Bill Clinton's budget bill, but Senator George J. Mitchell of Maine worked for weeks so there would be a balance to be tipped.

Mr. Mitchell, the majority leader, irritated other Democrats in Congress, especially Representative Dan Rostenkowski of Illinois, as he kept pushing for ways to tinker with the bill. He would bring along one senator by proposing an increase in something, while keeping another in the fold by urging that a cut be made.

It was exhausting. It got none of the attention received by Mr. Kerrey or by other lawmakers whose votes made news. Mr. Mitchell was not even much noticed when he closed the final debate, alternately attacking Republican arguments as "false" and patriotically defending the bill as essential to Mr. Clinton and the nation.

The very characteristics that drew Senator Mitchell attention — the control of his temper, the willingness to yield center stage and the sometimes tedious command and explication of detail — were essential to success.

He insisted that he had applied just two standards in his maneuvering: whether a change would "help us pass the bill" and whether it was "good public policy." But in the process he had to cajole and plead and, above all, exercise what he told the House speaker, Thomas S. Foley of Washington, was "the best developed patience muscle in Washington." (NYT)

Reno and Bar Group Trade Encomiums

NEW YORK — Bathed continually in television lights, praised from every podium by lawyer after lawyer, Attorney General Janet Reno spent the weekend carousing the American Bar Association. With a triumphant appearance by Justice-to-be Ruth Bader Ginsburg and quite possibly the bar group's first woman president on the horizon, the association's convention has been an affair to remember for women.

But it was Ms. Reno, the first woman to head the Justice Department, who was the undeniable star of the proceedings. Over two days of receptions, speeches, and encounters in the corridors, she wielded the same combination of bluntness and folksiness, openness and humility that has charmed the nation. But before her fellow lawyers, she added some new and ingratiating ingredients.

She thanked them for teaching her, invited them to stop by the Justice Department and praised them repeatedly for doing what she called "wonderful things for their nation, their state, their communities." Never, she said, had she been so proud to be a member of the association.

Whatever criticism she sent their way was gentle — less faulting them for what they had failed to do than urging them to aim even higher and do even better, particularly on behalf of the nation's children.

"I love lawyers," she declared with gusto. Once the applause had subsided, she added, "And nothing can make me madder than lawyers: lawyers who are indifferent, lawyers who don't care about others, lawyers who are too preoccupied with themselves."

The lawyers' responses to Ms. Reno contained no such caveats. They gave her still more of what she called "the approval and goodness" that had been lavished on her in the last four months.

Perhaps for the first time since the days of Robert F. Kennedy, children asked an attorney general for an autograph. Admiring lunchtime listeners fought with waitresses for scarce floor space to give her standing ovations. From lectern after lectern, people said Ms. Reno needed no introduction, then introduced her enthusiastically.

One speaker, Cory Amron of the association's committee on women in the profession, called the attorney general "unfathomable in situations where others would be shaken, accountable where others pass the buck, visible and accessible where her predecessors were not."

Already, Ms. Amron said, Ms. Reno had kept her pledge to make the nation's women proud. (NYT)

Congressional Freebies May Be Short-Lived

WASHINGTON — Representative Jill L. Long, Democrat of Indiana, wants to do away with free lessons in the martial arts — not to mention numerous other gifts received by members of Congress. Some form of gift ban — whether her total ban or a partial one sought by others — is expected to pass Congress in the coming months.

Among other things, it would affect lessons worth \$75 a month that are given free to senators and House members by Joon Rhee, a taekwon-do master who moved to the United States from Korea. In a recent performance, Thomas S. Foley, the Democratic speaker of the House, and Representative Robert A. Borski, Democrat of Pennsylvania, demonstrated their new skills by breaking boards in half with their bare hands.

Currently, lawmakers can accept gifts valued up to \$250 from any one person in a year, but gifts of less than \$100 are not counted against that limit and do not have to be disclosed. Representative Long says she wants to remove the public perception that legislative favors are being exchanged for gifts — though she believes that they are not. (LAT)

Quote / Unquote

Representative Vic Fazio of California, who heads the Democratic Congressional Campaign Committee, speaking about the president's plan for national health-care reform: "For the Democratic Party, it's an opportunity to define ourselves positively, to show why we came here — not just to clean up after the last decade but to provide something positive." (NYT)

Away From Politics

● Ruth Bader Ginsburg, to be sworn in Tuesday as the second woman on the Supreme Court, says the presence of two women on the nine-member court will make the male justices see life differently. Judge Ginsburg, 60, who joins Justice Sandra Day O'Connor, told reporters: "I do think being the second woman on the Supreme Court is wonderful. It's a sign that being a woman in a place of importance is no longer extraordinary and it will become more and more natural."

● For the first time in its 150-year history, The Citadel, the military school in Charleston, South Carolina, has chosen a black student as its highest ranking cadet.

● A man who New York police say faked himself a fire engine in Washington Heights, injuring three fire fighters during a night of unrest in the Manhattan neighborhood, has been arrested in the Dominican Republic and returned to the city. The police said Jesus Corporan, 24, was identified by witnesses.

● A former air force sergeant who was discharged after announcing his homosexuality has been accused of molesting a college student. Anirban Bhattacharya, 23, a student at Arizona State University at Tempe, filed a complaint accusing Thomas Panicia of molesting him in a restroom. Mr. Panicia, 29, called the charge "incredible."

● An Atlas-E rocket carried a new weather satellite into orbit from Vandenberg Air Force Base in California. The spacecraft, which replaces a deteriorating National Oceanic and Atmospheric Administration satellite, reached a 540-mile-high polar orbit.

● The historic, Civil War-era buildings battered by the tornado that struck Petersburg, Virginia, remain structurally sound and can be renovated, city officials said. (Reuters, AP, NYT, WP)

Floodwaters Ease Along Mississippi

The Associated Press

ST. LOUIS, Missouri — Water levels dropped dramatically in some areas along the Mississippi River but continued pressure on levees kept residents on edge.

"It's not over," said Jean Rissover, a spokeswoman for volunteers in Sainte Genevieve, about 50 miles (80 kilometers) south of St. Louis. "We still have many, many days and perhaps weeks where we have to be concerned about the possibility of a levee break."

The town weathered a crest of 49.67 feet Friday — well over the 1973 record of 43.3 feet.

After Budget War, a Conciliatory Push for Health Plan

By Robin Toner

New York Times Service

WASHINGTON — The battle of the budget now behind them, President Bill Clinton and his advisers are turning to overhauling the health care system, hoping to complete their plan within six weeks and begin an intensive public campaign for secure and universal health insurance.

White House aides and Democratic strategists in Congress say they have learned valuable lessons from the exhausting struggle over the president's economic plan. Still winning from the Republicans' success at casting the plan as just more taxing and spending, these Democrats say the drive for health care legislation must be more bipartisan. And from the start, they argue, it must be sold to the public far more aggressively.

The sales campaign is already under way. In the next few days, lawmakers will be presented with a briefing book that, according to a draft copy, begins to make the case for "The Clinton Health Security Plan: Health Care That's Always There."

The draft, which describes the Clinton effort in general terms, says its basic goal is "making sure that Americans will never again lose their health coverage."

The broad outlines of Mr. Clinton's plan have been widely discussed in recent months: It will center on community insurance-purchasing cooperatives, known as health alliances, that will pool the bargaining power of small businesses and individuals to, presumably, get the highest quality, lowest cost health plans.

It is expected to establish a package of guaranteed benefits for all Americans and to require employers to help pay for part of those benefits.

Still, Mr. Clinton has yet to approve the full plan, and some of the most politically sensitive decisions are yet to be made.

Senate Republicans, in the meantime, are trying to reach a consensus of their own on a health care overhaul, and they plan to produce their own legislation in the fall.

The public campaign will intensify in the coming

days. Hillary Rodham Clinton, who is heading the administration's task force on health care, wooed the American Hospital Association in Orlando, Florida, on Monday, and the president will deliver a major speech on health care to the National Governors' Association on Aug. 16.

Ira C. Magaziner, the White House domestic policy adviser, who has led the effort on health, argued in an interview over the weekend that the administration had taken pains to lay the congressional groundwork for the plan.

"I think we've had a couple of hundred meetings now up on the Hill, with both the House and the Senate, and on both sides of the aisle," he said. "It's been a consultative process. They didn't have that luxury with the economic plan."

Still, with the health package now scheduled for public presentation in mid-September, Mr. Magaziner's optimism is not universally shared.

Philosophical differences run deep on how to structure the health care system, both within the Democratic Party and between Democrats and Republicans.

Advocates of changes in health care also worry that the bitter, exceedingly close fight over the economic plan has made a hard job even harder. It heightened the aversion to new taxes, gave partisan divisions a razor edge and sent a message to interest groups about the willingness of this administration and this Congress to deal, some of the advocates say.

"We can't afford to have health care reform be characterized as just another tax bill," said John Rother, legislative director for the American Association of Retired Persons, "and we certainly can't afford to have it mired in more partisan posturing."

Mr. Rother, who is also chairman of a coalition of groups seeking an overhaul of the health care system, added:

"What started out, really, in the State of the Union speech as a high moral call for shared sacrifice in the end degenerated into horse trading and typical special interest tactics. We can't do health reform that way. We have to see a greater leadership and a greater public will to stand against all the exceptions and loopholes that will inevitably threaten the comprehensiveness of the health reform effort."

A New Clinton Plea For Bipartisanship

By Paul F. Horvitz

International Herald Tribune

WASHINGTON — President Bill Clinton issued a fresh plea for political cooperation on Monday, hoping to entice or shame Republicans into providing votes for his landmark program to reform the nation's health care system.

In a speech to cheering crowds gathered on the Capitol steps in Charleston, West Virginia, Mr. Clinton declared that the nation's problems cannot be solved unless base partisanship ends.

"We need to put an end to the partisan rancor and put the American people first again," the president said.

"We cannot have every great issue of the day decided on the basis of partisanship, scheduled around the next trip to New Hampshire for a primary still four years away," he added. "We have got to do some of these things together."

The message was aimed squarely at Republicans, whose strict party discipline yielded no votes in the House or Senate last week as Mr. Clinton's five-year budget package won passage by the narrowest possible margins.

It was not an appeal to virtue for its own sake but a political necessity. Senate rules on ending debate did not permit a filibuster on the budget bill, but the rules will allow endless debate on health care unless a handful of Republicans join the Senate's majority Democrats.

Although opinion polls have been unkind to Mr. Clinton, the Republican Party has its problems as well. It is viewed by a majority of Americans as too obstructionist, and its Senate leader, Bob Dole of Kansas, is widely seen as a stern practitioner of political infighting.

The Charleston speech was the first in a series of appearances Mr. Clinton plans this month intended to dispel what he called the "withering fog of misinformation" surrounding his budget plan.

Most Americans think it taxes the middle class far more than its provisions would suggest.

With the budget victory last week, he said, change has truly arrived because "we began to put our economic house in order."

The package of spending cuts and tax increases would save \$496 billion over five years, according to calculations by the administration.

"After 12 years of partisan gridlock, of talking tough and acting soft, we reversed the direction," Mr. Clinton said.

The president made a strong pitch for his health care plan, which will be released in mid-September. As he has in the past, Mr. Clinton said its passage is the key to further deficit reduction, because health care costs are a major factor in the growth of mandated federal spending.

"Unless we reform the health care system of this country," he said, "we can never take the deficit down to zero. We have got to do something to provide health security to all Americans in a way that is good for the private sector, good for employers and controls costs without sacrificing quality."

Mr. Clinton's speech contained numerous similar calls for national unity and seemed designed to put his image of weakness and indecisiveness behind him.

2 Bulls Rampage in Madrid

Reuters

MADRID — Two fighting bulls escaped from their pen and gored five people while rampaging through a crowded street market in a Madrid suburb Monday, the police said.



Hillary Rodham Clinton and her daughter, Chelsea, greeting well-wishers after a luncheon in the Georgetown section of Washington.

What Was All the Deficit-Reduction Fuss About?

By Paul Farhi

Washington Post Service

WASHINGTON — The numbers sound impressive: After six months of furious effort, Congress and President Bill Clinton have agreed to attack the government's chronic debt with a plan that envisions \$235 billion in spending cuts and \$241 billion in tax increases over the next five years.

And yet, the "deficit reduction" package passed by Congress: ● Does not knock a dollar off the nation's indebtedness because its spending "cuts" affect only the future growth of programs.

● Projects annual deficits through 1998 of more than \$200 billion, a level considered unthinkable only a dozen years ago.

● Will increase the accumulated national debt from an unimaginable \$3.2 trillion now to a surreal \$4.7 trillion by 1998, according to projections by the nonpartisan Congressional Budget Office.

● Keeps the government indefinitely addicted to spending more than it takes in, pushing the bill onto future generations like an unwanted gift.

For perspective, consider that in 1980, President Jimmy Carter was pilloried by the Republican nominee, Ronald Reagan, for a record-setting deficit — of \$73.3 billion.

"The deficit may never come to a crisis," said Herbert Stein, chairman of President Richard Nixon's Council of Economic Advisers.

"All it may do is fritter away our growth into the future. Ours could be a general long-term debility."

"The damage done is very diffuse," said Robert D. Reischauer, director of the Congressional Budget Office. "It's hard to convince the American people of the cumulative damage done by a tenth of a percentage point in lost growth."

NEWS ANALYSIS

To economists, the prospect of this debt will weigh on the U.S. economy like stones added one after another to the back of a pack mule. The mule, in this case, is strong enough to carry the accumulating load without collapsing, but not without weakening. The additional burden has insidious, almost invisible effects that will become known little by little.

The accumulated deficits sap the government's energy by demanding more and more money in interest payments on the amount owed, taking money from other programs, such as education, worker training, road repair or health care.

In 1980 the government spent \$53 billion on interest payments on the federal debt, or 10 cents of every tax dollar it collected. In 1990, it spent \$184 billion — 18 cents.

The best that can be said of the budget package passed last week is that it anticipates making things no worse: By 1998, under current esti-

mates, the government will spend \$276 billion for interest on the debt, also 18 cents of every dollar that Washington expects to collect.

An outlay of that size would equal this year's entire military budget.

The government's need to borrow \$200 billion or more each year affects everyone, soaking up money from lenders that might otherwise be lent to businesses and people for new factories and equipment, home mortgages and car loans. The government's insatiable demand for funds drives up interest rates.

And society pays an incalculable price later on because the reduced ability to borrow and invest today leads to fewer factories, less equipment and less-educated workers in the future.

While the view that the deficit is a problem is widely shared, how to solve it is the source of never-ending debate and partisan politics, as exemplified by the thin margins of victory for the Clinton budget package last week. And despite the overheated political rhetoric, it's doubtful most people understand the links between the deficit and the economy; indeed, economists themselves are constantly debating the nature of this relationship.

Opinion polls seem to indicate that the deficit remains something of an enigma, a massive abstraction that voters don't feel personally. Just 6 percent of those surveyed last fall in a national poll, for example, named the deficit as the issue

they wanted the candidates to talk more about.

This means that few elected officials endeavor to make deficit reduction their top priority, in part because the benefits of reducing the deficit take years to become tangible, and because cutting popular programs now causes pain.

In the end, Mr. Stein said, "this is not a crisis about the deficit — this is a crisis about the American inability to solve any major problem that involves any pain."

Mr. Reischauer compares the lack of political will to the story of the farmer with the leaky barn. As long as the barn's roof doesn't collapse, the farmer learns to live with the leak. And when it's sunny out, he feels it's unnecessary to do anything.



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Herald Tribune

Published With The New York Times and The Washington Post

Up and Up Goes the Yen

Although the breakdown of Europe's currency system has set exchange rates swinging against each other again, the impact on the United States is not likely to be great. For Americans the more significant development is the steady rise of the yen, now at a record high against the dollar.

The United States is relying on an increase in exports to help speed up its slow rate of economic growth. Unfortunately, most of its major foreign markets are in countries whose troubles are much deeper. In the European Community, the relaxation of the currency rules gives France and six smaller countries the latitude to lower their interest rates. That would accelerate their recovery from the recession into which they have fallen. But Germany is the dominant economic force in Europe, and it apparently intends to hold to its present painful course. On balance there may be some advantage to American exports — but only a modest advantage.

The political effects, meanwhile, may turn out to be much more important not only to Europeans but to Americans.

The European Monetary System, which was supposed to be leading to a single currency for all 12 of the Community's countries, was a great symbol of an emerging Europe that would be strong, decisive and a power in the world. This defeat for the system follows two years of divisive wrangling over the horrifying war in ex-Yugoslavia. These two disparate experiences, the incoherent diplomacy in Yugoslavia and the defeat for the monetary plan, have severely shaken Europeans' confidence in their own ability to work together on the great and central issues of state. In this climate, the rest of the world cannot count on leadership from the Europeans on anything that requires much unity among their governments.

While the rise of the yen has been gradual, in the past six months it has been enormous. Last winter it traded at 125 to the dollar. Currently it is hovering at around 104. It may be a signal that the Japanese trade surplus, huge and growing fast, has finally become unmanageable.

A country in surplus like Japan can continue to sell abroad only as long as it lends its customers the money to keep buying. Japan's ability to do that has been crippled by its domestic recession. If Japanese exports of capital are limited, the yen will rise to whatever level necessary to balance the surplus with the available financing. The statesmen and trade negotiators having failed to bring the surplus under control, perhaps the blind and unfeeling forces of the currency markets are taking over.

— THE WASHINGTON POST.

U.S. Troops for a UN Army

Bill Clinton once urged creation of an American "rapid deployment force" of peacekeepers that would be on instant call to the United Nations. He has settled for something less. He will not commit a U.S. contingent to a UN standing army or earmark units for UN duty in advance. Instead, some troops will train to be part-time peacekeepers and could serve under UN command on a "case-by-case basis." And Washington will beef up the United Nations' security peacekeeping headquarters with staff, equipment and a training center.

That is a step in the right direction, but Mr. Clinton could go further. It may be politically ill-advised to ask Congress to pre-commit forces. But he could prudently order the Pentagon to designate one or two U.S.-based brigades to be used exclusively for peacekeeping contingencies and have them participate in joint exercises with peacekeepers from other nations.

Article 43 of the UN Charter calls on members to commit forces "as soon as possible" to the Security Council for a standby army under "special agreements." President Harry Truman promised the first UN General Assembly in 1946: "We shall press for the preparation of agreements in order that the Security Council may have at its disposal peace forces adequate to prevent acts of aggression." Cold War rivalry weakened this resolve, and Article 43 was relegated to international limbo until last year when Secretary-General Boutros Boutros Ghali revived the idea of a UN standby army.

A standby army would reassure Americans who bridle at sending military com-

Now Inspire the Country

Bill Clinton has often told his aides that the battle for his deficit reduction package was "the bone in our throat." He meant that the budget fight was a distraction from the potentially popular measures he had hoped would mark his administration. Worse still for a man who campaigned as a champion of activist and innovative government, the battle just past seemed to be about the same old things: taxes, spending, deficits and partisanship.

Mr. Clinton's willingness to risk a great deal on behalf of fiscal solvency is a measure of strength, not weakness. Nonetheless, the first six months of his term have sapped the energy and enthusiasm of even his strongest supporters. His budget victory gives him the opportunity to recast his presidency in terms larger than the absolutely necessary but hardly inspiring task of balancing the books.

In doing so, he needs to recall his strengths during last year's election. He was a candidate who understood not only the importance of much of the electorate with the failures of 12 Republican years but also its thirst for departures from old Democratic Party forms. He in fact remained faithful to his party's traditions of energetic government and a commitment to help the poor. But he also accepted that his party had to learn lessons from past failures. Programs to assist the poor needed to encourage work, not penalize it; bureaucracies needed to be slimmed and renovated; government could work best not as the problem solver of first resort but as the catalyst of an active citizenry.

Mr. Clinton understood something else: that the country now finds itself in a radically new economic situation. The rise of a global economy makes life hugely more challenging, and in many cases much more difficult, for the average American. The new economy is especially tough on those who once could count on blue-collar and industrial jobs to sustain a comfortable standard of living. Many of those jobs are now moving to low-wage nations.

There can be no doubt about the Clinton administration's central task: to help the country understand the historic nature of the economic challenge it faces and to lead the way toward the transformations required to meet it. These include actions in Washington, but do not end there. They encompass new forms of cooperation with foreign governments to end the worldwide economic slowdown and, crucially, a willingness by individuals to embrace the changes required by new circumstances.

Democracies cannot force citizens to change against their will. But presidents can challenge a people to pursue new paths, and governments can encourage daring by providing a degree of security. The president is right to push for the North American Free Trade Agreement and completion of trade talks aimed at keeping world markets open. But he is also right to push for universal access to health care. Workers facing challenges on so many fronts at the least deserve assurances that a competitive world will not leave them helpless against sickness.

Other items on the near agenda include welfare reform and the initiatives to "reinvent government" that Vice President Al Gore is suggesting. These allow Mr. Clinton to revisit his campaign's most promising themes. His apparent desire to continue pursuing budget cuts may prove essential not only to meet commitments to conservative Democrats but also to finance innovations in welfare, job training and education.

But to succeed, his presidency needs to become more than a list of programs. The troubles he ran into in gathering public support for his deficit plan and the degree to which such trivial matters as his now famous haircut shaped the popular view of his presidency suggest that he has not dispelled skepticism about government or inspired confidence in his course. With his deserved victory on the budget in hand, he should not hesitate to speak unequivocally about where he wants to lead the country — and to challenge it to join him.

— THE WASHINGTON POST.

Bosnia: The Answer Is to Give Bombing a Chance

By William Safire

WASHINGTON — For one glorious moment a week ago, it seemed that the NATO ministers in Brussels had finally agreed to get tough with Serbian leaders who had been jerking the world's diplomats around for the past two years, making a mockery of collective security.

Word came from NATO headquarters that a list of targets had been selected for air strikes to break the siege of Sarajevo and save the lives of its Muslim residents. The targets were not just Serbian artillery positions in the hills pounding the populace, but fuel and ammo dumps, supply lines and bridges, and "those responsible for the violence" — meaning the contemptuous thugs with stars on their shoulders who have been directing mass murder with impunity.

Word was simultaneously pumped out of Washington that the Clinton administration had adopted a new, resolute "Don't ask — tell" policy asserting the need for air intervention now to stop the bloodletting. Reporters were told that this time the president would not allow the British and French to dictate the dithering. "Coercive diplomacy" would become the order of the day.

And what happened? The psychiatrist who fronts for the Serbian strongman took note of these delusions of potency and, as usual when the West has a brief fix of conscience, promised to stop the shelling and to allow relief convoys in. Then, as Western bluffing and puffing subsided, the tough cop leading the Serbs added a few conditions that vitiated his nice cop's seeming concession. The noose tightened on Sarajevo.

The clue that emboldened the Serbian leaders was the agreement between the chief of NATO's southern force, U.S. Admiral Jeremy Bouda, and the French general commanding UN forces in the Balkans, Jean Cot. Its essence: The United Nations has a veto over any NATO air strike. The decision to direct Admiral Bouda to subordinate his command authority to the United Nations was made by the president of the United States.

Mr. Clinton's "Don't ask — tell" thus became "Don't ask — beg." The UN "protective force" in the former Yugoslavia is mainly concerned with protecting UN distribution of food and bandages, and not in protecting Muslims from Serbian guns. The UN commanders are afraid that if NATO forcibly lifts the siege, the resentful Serbian militia will attack the scattered 25,000 UN forces.

Thus, President Clinton has placed responsibility for the decision to attack the aggressors in the hands of the UN commanders most fearful of a counterattack. That means that the UN force protects the Serbian attackers. Again Mr. Clinton can say it's not his fault. From the previous "The allies won't let me do it" he moves to "The UN won't let me do it."

If he wants to stop the killing, here's how: 1. Tell the United Nations to assemble its forces in a defensible position, hunker down and get out of the way. This is known as sending the Serbs a signal.

2. Tell the Bosnian Serbs that they have until Friday noon to cease firing everywhere, to withdraw all forces from within 80 kilometers of Sarajevo, and not to interfere with any relief supplies anywhere — or else. This is known as an ultimatum.

3. Inform America's European allies that if NATO is not empowered to make good on this ultimatum, the United States will accelerate its drawdown of forces in Europe to 20,000 monthly until no U.S. troops remain. This is known as coercive diplomacy.

Will this double ultimatum work? The West have tried the hand-wringing approach for two years; that has brought tens of thousands of casualties, Western self-disgrace and the erosion of American leadership.

By denying Bosnia arms for self-defense, the West ensured that Muslims would lose the war. Now the Serbs want not only the land they have seized but the total humiliation of the defeated by denying them even sovereignty in Sarajevo. When does injustice become intolerable?

The quagmire-mongers ask: "But what if bombing doesn't work — are you prepared to send American ground troops into Bosnia?"

Answer: Give bombing a chance. If sustained bombing of the targets on the NATO list fails, the West can debate about flinching later. Nothing would be lost that is not being lost now. At worst, the intervention will have put a heavy price on aggression; at best, it will save thousands of human lives and establish the world's right to intervene.

The New York Times.

Will the West Stop Playing Fool With Serbian Aggressors?

By Anthony Lewis

NEW YORK — There is a form of classic farce in which the fool places his trust again and again in a rogue who tricks him every time. He learns no more from experience than the animated cartoon creature who is repeatedly flattened.

The United States, the West European nations and the United Nations have all played the part of the fool in their dealings with the Serbian aggressors in Bosnia. The Serbs promise to be good this time, the fools believe them, and the Serbs immediately renege on their promise.

The promises have come whenever it looked as though the outside world might act to stop the Serbian aggression. Last spring, for example, when President Bill Clinton seemed to be ready to use force, President Slobodan Milosevic of Serbia slyly endorsed the Vance-Owen peace plan. But when the threat evaporated, the Bosnian Serbs scorned the plan.

The latest version of the farce has just been performed. As the Serbian assault came closer and closer to the Bosnian capital, Sarajevo, Mr. Clinton once more sounded serious. He pressed the NATO allies — really pressed, this time — to agree to air strikes on Serbian positions.

Bosnian Serbs leaders reacted at once. Radovan Karadzic and General Ratko Mladic met with the UN commander on the scene and said they would withdraw their forces from mountains overlooking Sarajevo. They also promised to open roads to the capital that the Serbs have blocked for 16 months, and to restore electricity, water and gas supplies.

The UN commander, Lieutenant General Francis Brinkmont of Belgium, showed great relief. He and his colleagues feared that the UN forces in Bosnia would be attacked by Serbs if NATO began bombing.

In NATO, European resistance to an air campaign seemed to stiff-

en. Under pressure from the Europeans, the Clinton administration agreed to let UN officials veto any proposed bombing targets.

What happened next? Why of course the Serbian leaders began to take back their promises. There were conditions. They would not, after all, lift the siege.

The question now is whether Mr. Clinton has finally learned, and will act on, the simple truth about Serbian promises. That is that Milosevic, Karadzic and Mladic understand only one language: force. Unless they believe that Mr. Clinton will act, they will forget their latest promise.

It is a question primarily for Mr. Clinton because the others are determined not to understand. The UN secretary-general, Boutros Boutros Ghali, has opposed forceful intervention at every stage. Such European leaders as Prime Minister John Major of Britain have no stomach — no backbone might be a more accurate word — for resistance to the Serbian mass murderers.

The stakes are profound: not just the lives of Bosnians but the hope of heading off more ethnic and religious terror in much of Eastern Europe. Senator Bob Dole was right when he wrote in The Washington Post last week that American weakness in the face of a third-rate power like Serbia "is exactly the type of invitation dictators and aggressors dream of."

Mr. Dole urged Mr. Clinton to call on NATO for an ultimatum to the Serbs: Stop blocking relief efforts, carry out promised cease-fires, hand heavy weapons over to the United Nations and disband General Mladic's militia. If not, we carry out air attacks with the approval of the UN Security Council or, lacking that, on our own under the UN Charter provision for collective defense when a member state is attacked.

To be effective, in my view, the ultimatum to the Serbs would have to be more explicit: Stop firing within 24 hours or we bomb artillery positions. On day two we take out General Mladic's headquarters in Pale. On day three we attack military targets in the privileged sanctuary of Belgrade.

Firmness toward the aggressor should have come long ago. At this stage it seems that all American policy is trying to achieve is a division of Bosnia into three ethnic units, saving a tiny bit for the Muslims instead of total gubbing by the Serbs and Croats.

But Mr. Clinton might at least restore a little faith in American will. He might at least show that a superpower will not forever play the fool to aggressors. And he might still save some innocent Bosnian lives.

History repeats itself, Marx said, the first time as tragedy, the second time as farce. But the Bosnians go on living the tragedy.

The New York Times.

Get Israelis, Palestinians and Jordanians Into a Joint Venture

By Leonard J. Hausman and Lester C. Thurow

CAMBRIDGE, Massachusetts — Even the bravest of speculators might view an investment in the West Bank and Gaza as a risky venture. Still, in the midst of the region's on-again, off-again hostilities, land prices have skyrocketed as prospectors swallow up real estate at an unprecedented pace. The market, it appears, is wagging not only that peace in the region is a good bet, but that this particular tract of land may soon develop into one of the Middle East's most buoyant economies.

Gaza, lined with magnificent beaches, and the West Bank, home to a unique array of historic sites, can both develop into hot attractions for American, Gulf, European and Japanese tourists. For entrepreneurs, the region offers an ideal venue for clothing manufacturing and development of other light industry. And both sides will benefit from fusing Israel's sophisticated technology with high-quality Palestinian labor.

Despite the potential and the recent speculative boom, the region's economy has, due to years of political turbulence, plodded along uninspired. The Middle East's political and military conflicts have for too long suppressed what should be a Middle Eastern mecca.

What is needed at this point is a plan. Not just to prod the region into cashing in more quickly on its resources, but one that will also pave the way for greater political and diplomatic cooperation among Jordanians, Palestinians and Israelis.

After all, the rewards of constructing a thriving economy in the West Bank and Gaza go beyond simply filling the coffers of its residents. As the European nations have shown in the

decades following World War II, the surest foundation for political healing is an integrated economy — beginning there with the formation of the European Iron and Steel Commission in the 1940s, progressing a decade later with the creation of the European Economic Community and culminating in January of this year with the full integration of the European markets.

The first step toward this type of union in the West Bank and Gaza will require hustling the neighboring Israeli, Jordanian and Palestinian economies to create a Palestinian one. That, as outlined in a recent report, "Securing Peace in the Middle East: Project on Economic Transition," authored by a committee of 34 Israeli, Jordanian and Palestinian economists along with nine economists from Harvard and MIT, including ourselves, would require:

- Reforming the existing civil administration in the West Bank and Gaza. This would mean replacing the top Israeli officials in the civil administration with Palestinians. Ultimately the Palestinians may want a system of economic management different from the one currently imposed by Israel, but the first job is an orderly transfer of power within the existing system. This will allow the Palestinians to feel assured that their views will be respected and that the economy keeps functioning during the early part of the transition.
- Setting up banks that will extend credit to new businesses and allowing existing banks to expand. Without an expansion of credit in the region, chances that new businesses will emerge are slim. And no new businesses means fewer new jobs. If the new Palestinian entity has any

Use the Wheat Weapon to Defend the Iraqi North

By John Waterbury

PRINCETON, New Jersey — For roughly what it cost to launch 23 Tomahawk missiles against Iraqi intelligence headquarters in Baghdad, the international community could buy most of the wheat now being harvested in the Kurdish areas of northern Iraq. Such a move would do far more to undermine Saddam Hussein's plan to reabsorb the north and to consolidate his position in Iraq than largely ineffectual military strikes.

Baghdad has the military capability to recapture the autonomous northern region, liberated since the spring of 1991. But knowing that such a move might provoke a major international military response, Saddam has opted for a waging a successful economic war against the north.

First, he has imposed his own economic embargo on the north. Only emergency, humanitarian aid can reach the region, but nothing that

might rehabilitate its crippled economy. Second, on May 12 the Iraqi government withdrew all 25 dinar notes from circulation, wiping out more than \$20 million in northern savings. Baghdad has threatened to do the same with 5 and 10 dinar notes. This is the only legal tender in the north, and until May 5, was still accepted as payment by merchants in Turkey and Iran, where the north could buy some of its basic consumption needs. Now those same merchants no longer want to hold Iraqi currency that Saddam has intentionally undermined.

How has the north earned these dinars in the first place? By selling to the south the one commodity the region is able to produce: wheat. In the summer of 1992, some 200,000 tons of it went south to Saddam's captive population in exchange for dinars.

So important is this source of food supplies that it has contributed to Saddam's ability to float UN resolutions 706 and 712 that would allow it to sell under UN supervision, oil for food and medicine. It is likely that at least 200,000 tons of this summer's crop will find its way to Baghdad.

The democratically elected but unrecognized government in northern Iraq has no cash with which to purchase the crop. The international community, at a pledging session in Geneva at the beginning of June, came up with \$6.5 million toward a buy-back program that would acquire some 50,000 tons that would then be distributed to refugees in the north during the winter months.

But the population at risk in the north is on the order of 2 million. The food to feed them is now standing in

the fields of northern Iraq, but there is no money locally with which to buy it. The United States has the potential of leverage on Baghdad. If the sanctions and the autonomous northern zone. If Saddam wins the economic war, the autonomous zone will disappear. Moreover, if northern leadership cuts a deal with Saddam, it will be very hard for the international community to maintain the sanctions because of their harsh effects on all the Iraqi people.

The object is to protect northern autonomy not as a prelude to independence for the Kurds but rather as part of a strategy to weaken Saddam Hussein's regime. To work, the strategy must gradually shift international assistance to the north from emergency aid to economic rehabilitation.

A first step in this direction would be the purchase of a substantial portion of the wheat harvest, which could then be sold back to the people of northern Iraq during the winter months. The cost would be about \$25 million. Saddam would be deprived of a crucial supply of food, his economic squeeze would be undone, and the north would continue to escape his direct control.

The writer is director of the Center of International Studies at Princeton University. He contributed this comment to The Washington Post.

Good News From Europe and Japan

By C. Fred Bergsten

This is the first of two articles.

WASHINGTON — The American economy last week got more good news than just the budget deal. Europe abandoned its effort to maintain fixed exchange rates, and Japan closed its first new government in 40 years.

Only one of those happenings, the budget deal, made big news in the United States. That is understandable: most Americans find it hard enough to stay tuned to the drama of the U.S. deficit, let alone the fate of the franc or the languishing of the LDP. But the foreign developments will probably have greater impact on America's economic growth and ability to create new jobs for at least the next few years.

Of course the budget package is an essential start. The United States has been mired in sluggish growth or worse for the past five years because of the heavy debt burdens that weaken all sectors of the economy — consumers, corporations and the government.

It is going to take enormous effort to faithfully carry out the Clinton blueprint over the next five years. Vigilance and political muscle will be needed to make sure that Congress actually delivers the largely unspecified spending cuts promised for future years, while substantial additional steps will be needed to complete the budget correction.

Still, the deal is important in establishing credibility in dealing with

improvement — the resulting lower interest rates keeping the dollar, and hence exports, competitive.

The importance of exports has been demonstrated in recent years. More than a third of America's total growth in the late '80s came from an improved international position. Export expansion kept the recession of 1990-1991 from being twice as bad as it was. Unfortunately, recessions that cut buying power in the major foreign markets have caused U.S. trade performance to deteriorate again in the last two years.

This is where events in Europe and Japan count in. Faster growth there boosts U.S. exports, and hence jobs at home, by hefty amounts. My colleague William Cline estimates that every 1 percent per year in faster growth abroad increases America's annual exports by \$10 billion.

If Europe and Japan could resume their normal growth paths over the next two to three years, U.S. domestic output could expand by as much as \$50 billion. A million high-wage jobs would be created.

The writer is director of the Institute for International Economics and chairman of the Competitiveness Policy Council. His latest book, co-authored with Marcus Noland, is "Reconcilable Differences? United States-Japan Economic Conflicts." He contributed this comment to The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: Rioting in Spain
MADRID — An extraordinary state prevails at Vitoria. The city was affected by a new scheme of military reorganization. The populace resented Vitoria being depopulated from its position as an important military center, and there was rioting on Aug. 8. Martial law has been proclaimed. The railway line was guarded, lest an attack be made upon the train in which the Minister of War traveled from Madrid to San Sebastian and, as the military prevented all approach to the station, when the train came the crowd hoisted and whistled.

1918: Pledge to Russia
LONDON — The British Government, in a declaration to Russia, which has been published at Vladivostok, says: "We come to you, friends, to aid you and to save you from dismemberment; from destruction at the hands of the Germans, who seek to reduce your people to slavery and to employ the important resources of your country to their own ends. But we solemnly desire to assure you that while our troops penetrate Russia to lend you their aid in your fight against Germany we will not retain a yard of your territory."

1943: 'Gandhi Pilgrims'
BOMBAY — [From our New York edition.] Disorders broke out at Bombay, Ahmedabad and Poona today [Aug. 9] on the first anniversary of the arrest of Mohandas Gandhi and other Nationalist leaders. Many hundreds of persons were arrested. Many militant Nationalists sought to march on the luxurious villa of the Aga Khan. Forty rioters were arrested here during the morning and another 60 were arrested as they tried to enter for Poona to hold demonstrations demanding Gandhi's release. Many Nationalists, clad in white, alighted at Poona station, wearing badges inscribed "Gandhi pilgrims."

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OPINION

U.S. Policy Lags in East Asia

By Chalmers Johnson

SAN DIEGO — The aftermaths of the end of the Cold War roll relentlessly through Asia. In Japan, the Liberal Democratic Party, America's chosen instrument for keeping Japan in the Western camp, finally collapses under the weight of its corruption and irrelevance. In South Korea, a genuinely democratic regime comes to power and for the first time in 30 years gets the Korean Army, long allied with the United States, back into its barracks. In Singapore, the ASEAN foreign ministers set up an exclusively Asian caucus, which Japan supports even though the United States has been opposed.

Even though the Americans invested great hopes in Bill Clinton's reformist government, it is doubtful they anticipated that in foreign policy he would return to office almost every living member of the Carter administration.

lems for the environment, the global trading system and the balance of power in the Pacific. What is the United States doing in response to these fundamental changes? Almost nothing. Even though the Americans invested great hopes in the reformist government of President Bill Clinton, it is doubtful they anticipated that in foreign policy he would return to office almost every living member of the Carter administration — including the secretary of state, the head of the National Security Council and his deputy and the ambassadors to Japan, Germany and the European Community. Even more inexplicably, the president named as his assistant secretary of state for Asia and the Pacific George Bush's former ambassador to Japan of \$50 billion. Part of U.S. economic reform therefore must include coming to grips with Japan's economic challenge. Nevertheless, Mr. Clinton named as the U.S. trade representative and as secretary of commerce men who freely admit that they know nothing about either Japan or international commerce.

Just as was the case in President Bush's disastrous visit to Japan last year, Mr. Clinton went to Japan in July without a single high official accompanying him who had substantial knowledge and experience of Japan and who could read the Japanese language.

Does this lack of expertise make a difference? Yes. The Americans are now missing a big opportunity to take advantage of Japanese events. With much of the Japanese establishment under indictment for taking bribes from the construction industry, this would be a good time to push Japan to open its domestic construction to U.S. firms. Instead, the U.S. trade representative withdrew his threat of retaliation under U.S. trade law, and on July 26 the State Department awarded a \$7.1 million contract to a Japanese construction firm, Obayashi Corp., to rebuild the residence of the American ambassador in Japan. (The State Department claims that it had to take the lowest bid. Has it never heard of deliberate underbidding and subsequent cost overruns?)

What should the United States be doing about Japan and the changing environment in the Pacific? First, embrace results-oriented trade. Washington must recognize that every single effort to negotiate acceptable trade rules with Japan has failed and that the new coalition coming to power in Tokyo will be too weak — and perhaps too short-lived — to change this pattern. It is now necessary for the United States to negotiate, or simply adopt a trade policy based on acceptable outcomes. Trade must no longer be a vehicle for destroying American industries or exporting low-value jobs to the United States.

Second, America must adopt an industrial policy. Japan and the other high-growth economies of East Asia have shown that the state can be an important contributor to the success of market economies. These contributions include things that Adam Smith specified — education, investment in infrastructure, incentives to — but also public measures to provide American citizens with good jobs in high-tech industries.

Third, the U.S. government should be staffed with people qualified to understand, monitor and shape new policies toward the countries of Asia. Such shape new policies include recognizing Vietnam and making less saber-rattling speeches about North Korea, a regime on the verge of using its nuclear potential as a bargaining chip, not a realistic threat. Washington must also put some teeth into laws against its own officials working for foreign interests.

If President Clinton does not do these things soon, he risks seeing his own party go the way of Japan's Liberal Democrats.

The writer, professor emeritus of Pacific International Relations at the University of California, San Diego, is author of "MITI and the Japanese Miracle." He contributed this column to the Los Angeles Times.

The American Lawyer: An Ethos Adrift in Greed

By Lincoln Caplan

NEW YORK — Many lawyers like paradox — and here's one they like especially, because it's about them. Americans despise lawyers, yet we can't get enough of them. The legal thriller — John Grisham's "The Firm," Scott Turow's "Pleading Guilty" — is a hot genre, so big it's become a new category in the book business and has crossed over to do major box office at the movies.

To explain their dubious prominence, lawyers like the notion

MEANWHILE

that the law has become America's civic religion. In a country where people are plagued by doubt or divided by creed, the law is said to provide common ground. Americans hate lawyers because we expect them to compare with priests and are enraged by their shortcomings.

We are riveted by legal thrillers because we want to know what's wrong with an institution that should stand for what's right.

As a group, the American Bar Association is preoccupied with its base image. Michael Scanlon, its communications director, is the former chief executive of the Petroleum Marketing Education Foundation. He was brought in to give lawyers a makeover.

It's no accident that the 1993 ABA annual meeting is dedicated to the memory of Justice Thurgood Marshall. Honoring the late justice is a way to celebrate the ideal of the lawyer-statesman. It presents the lawyer at his or her best, in the tradition of Thomas Jefferson, Abraham Lincoln and, for lawyers especially, of Justice Louis Brandeis, who preached moral activism for the profession.

Robert Gordon of Stanford Law School defined the lawyer-statesman as "the independent citizen, the uncorrupted just man

of learning combined with practical wisdom." Mr. Gordon also pointed out that the model has been "so completely eclipsed that it now seems almost a joke."

Long before they became the butt of jokes, lawyers worried that they deserved to be. Since the 1970s, the organized bar has experienced a crisis of confidence. The most prominent statement of alarm appeared in a 1986 report called "In the Spirit of Public Service: A Blueprint for the Revitalizing of the Lawyer Profession."

It explored the question, "Has our profession abandoned principle for profit, professionalism for commercialism?" In the ABA's view, the character of lawyering has been severely strained. The best symbol of things gone bad was the "firm" — the large office of scores of lawyers, if not hundreds, that is darkly portrayed in legal thrillers. The megafirm became the villain in a story of extraordinary change.

As the demand for the services of lawyers increased (from \$8.2 billion in 1960 to \$47.5 billion in 1985, in 1985 dollars), so did the supply. Between 1965 and 1990, the number of American lawyers leaped from 296,000 to 800,000, increasing more than four times as fast as the population of the United States.

In his book "Rascals: The Selling of the Legal Profession," Peter Brown contends that the bar has become blemished by "crime, perfidy, greed and sloth" and that many lawyers treat law "as a trade solely for profit rather than as a profession for service to the public interest."

Many of the "greedy ones" are in large law firms, which promote "selfishness" among their partners, the "oppression and abuse" of their associates and a general decline of "manners and morals."

Does the bar stand "in danger

of losing its soul," as Anthony Kronman, a professor at Yale Law School, has warned? In this Law School, the consequences run far beyond the bar. Rather than offering a source of moral purpose, the practice of law has become hollow at its core.

Lauding Thurgood Marshall and emphasizing how his legacy is carried on, the ABA is trying to correct this widespread impression. The real problem, however, is not that the image of lawyers is wrong but that it captures reality.

The problem is simply what lawyers do for a living. They define themselves primarily through their relationships with clients, not with society. To some lawyers, there's no compromising the devotion owed a client. By contrast, others have proposed a redefinition of the concept of advocacy so that, besides serving a client, a lawyer strives to fulfill

obligations to society as well. The clash is fundamental. In 1977 lawyers began what the scholar Theodore Schneyer called "the most sustained and democratic debate about professional ethics in the history of the American bar." An early version of proposed changes in the bar's code of conduct was drafted boldly to include rules of wide interest to the public and to lawyers, like a requirement that every lawyer give 40 hours a year of free legal service, as a general contribution to American justice. This and other recommendations proved highly controversial.

In 1983 the bar's code was rewritten to finesse all controversy. Its final form confirmed the bar's passage from an organization defined by tradition to one shaped by expediency.

In the old model of legal ethics, the lawyer's duty to represent a client zealously was tempered by his responsibility to do so "within

the bounds of the law." It was assumed that those bounds could be identified. Now that much of the law is seen as vague and changeable, the duty of zealous advocacy seems to overwhelm lawyers' sense of responsibility to operate within legal bounds.

Even lawyers known for care and caution feel obliged to test the limits of propriety in the name of professional duty. As Mr. Gordon said, "The lawyer under such an ethical regime is by vocation someone who helps clients find ways around the law," although the outcome may be unsavory.

The popular culture has got it right, but the bar has no one to blame but itself. The current ethos among lawyers has led to a race to the bottom.

The writer is author of the forthcoming "Shadden: Power, Money, and the Rise of a Legal Empire." He contributed this column to The New York Times.



'It's a disgrace the way the whole law profession is maligned these days.'

LETTERS TO THE EDITOR

Leadership Has Failed

I am sure Joseph Brodsky speaks for many of us who now view our leaders as cowards or profiteers ("Enough of This Unnecessary Carnage in the Balkans," *Opinion*, Aug. 5). Why did U.S. officials bother with speeches at the new Holocaust Museum in Washington when America cannot be bothered to stop the present genocide? Why did the West go in so boldly to save poor Kuwait when that country is not poor anyway, was not at all democratic and still isn't? Someone is making gains while Sarajevo faces death every day.

DEREK PAYNE
Barcelona.

I appreciated Mohamed Saci's "Remember to Prosecute War Criminals" (*Opinion*, Aug. 6) and Mr. Brodsky's piece as well. By the way, already at age 16, the future Nobel Prize winner acted as a man of honor. According to Soviet law, Mr. Brodsky had to choose between the Latvian "nationality" of his mother and the Jewish one of his father. His choice brought him into many troubles, including a year in a subarctic penitentiary colony.

LEON POLIAKOV
Massy, France.

For Limited Asylum

Regarding "When the Comfortable Turn Their Backs on Refugees" (*Opinion*, July 28).

The postwar consensus regarding the obligations of states toward refugees was reached well before today's massive overpopulation. The duty of nations to help refugees from warring countries is not in question. But there must be guarantees that they will return home when conditions there permit.

JANE MOLARD
Cannes.

Estonia and Russia

Regarding "Watch Russia's Baltic 'New Abroad'" (*Opinion*, July 27): Prime Minister Carl Bildt of Sweden is right to call attention to developments in Estonia, but his applause for its policies seems rather inappropriate.

It was certainly not the Estonian law on aliens — which spells out the possibilities for noncitizens to become permanent residents — that provoked the Russian population of Narva to vote for autonomy. Rather, it was Estonia's policy of assimilation of its Russian minority, which has thrust this half-million-strong community into a status of alien. As this group becomes more radicalized, don't be surprised if in a future referendum Narva's population votes overwhelmingly for reunification with Russia.

Only the Estonian government can prevent such a destabilizing split. Ill-considered backing of its policies can only spoil the country's chances of passing a crucial test in Narva.

PAVEL BAEV
Institute of Europe, Moscow.

It was ironic to read the report in your June 25 edition about the threat by President Boris Yeltsin to intervene if Russian-speakers in Estonia "rebelled against what he called apartheid." The Russians in Estonia are not immigrants, but colonists and illegal aliens. Starting in 1940, Estonia was occupied, colonized and Russified by the Soviet Union. Until 1991 the Soviet Union engaged in ethnic cleansing, eliminating more than 130,000 Estonians (12 percent of the population) via murder and deportations to Siberian labor camps.

Thousands of Russian workers and bureaucrats were implanted in Estonia, the local language was suppressed in favor of Russian, and thousands of Soviet troops were stationed there, 8,000 of whom remain against the will of the Estonian people and their government.

The Soviet's immediate goal was the creation of a Russian majority; the long-term aim was the destruction of the Estonian culture and language. Given a few more years, they might have succeeded.

Estonian naturalization rules are some of the most lenient in Europe — just three years' residency, knowledge of Estonian and an oath of loyalty. Is making Estonian an official language a "barbaric discrimination"? Mr. Yeltsin's "barbaric warning" is blatant interference in the internal affairs of an independent country. The West must condemn it and demand that the Russian government remove the last vestiges of imperial rule and pull all former Soviet troops out of Estonia.

HANS MIRKA
Hounslow, England.

Womanhood as Slavery

Regarding "Bring Together the World to Eradicate This Torture" (July 28) by A. M. Rosenblatt:

The true purpose of female genital mutilation is to disempower the female. Cultures with the means to end this practice fail to do so because they are confused about the rights, sexuality and humanity of women. Why is it that women are usually the actual perpetrators of this monstrous, irrevocable crime?

JANE GREY
Paris.

To live in a condition where no viable choices exist is to live the life of a slave. That women would have their bodies mutilated rather than suffer the consequences of denying such a practice is an indication of their oppression. For those of us who are privileged enough to engage in intellectual discourse rather than live the horrors of such a reality, this atrocity is not easy to face. Because to acknowledge that millions of women are mutilated for no reason at all is to acknowledge the utter despair and hopelessness of being a woman in such a culture. It is time to break the silence and end the suffering.

WINNIE WING-NING SO
Hong Kong.

A Tribute to Maleska

Crossword addicts all over the world will join me in mourning the passing on Aug. 3 of Eugene Maleska, crossword puzzle editor of The New York Times. As a reader of the International Herald Tribune, I encountered him only occasionally and always on weekends. Although he sometimes made those weekends, he more often than not succeeded in frustrating a majority of them. Above anything else, he will be sorely missed on those long-distance flights when he helped ease the tedium and tension of travel.

B. J. FERNANDES
Singapore.

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Portugal Esc.	47,000	39	26,000	14,000
Spain Ptas.	48,000	39	26,500	14,500
— hand deliv. Madrid Ptas.	55,000	37	27,500	14,500
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CHG 1/4

Beirut Puts Hundreds Of Troops In UN Zone

Compiled by Our Staff From Dispatches

JUWAYYA, Lebanon — Hundreds of Lebanese troops swept into a UN zone facing Israel's front lines in southern Lebanon on Monday, but the army stressed that guerrillas had a "natural right" to keep on fighting Israeli occupation troops.

It was the first time in 11 years that Lebanese troops had moved into regions of southern Lebanon patrolled by the United Nations.

Armed with rifles, machine guns and anti-tank rockets, soldiers in flak jackets were deployed in Juwayya, Qana, Derghaya and Biras Selaal on trucks and armored troop carriers.

UN peacekeepers saluted as the soldiers rode past, and women and children threw rice and handed out sweets and juice.

"We know it's symbolic but it's an important step," said a military driver, Qassem Fawaz, 53, in Juwayya as soldiers set up a post. "We wish it had happened a long time ago so our hearts could rest."

In Beirut, an army statement said the deployment was to back "the steadfastness of the people of the south facing Israeli aggression and to stop any security incidents in the villages."

"There is no truth to any news about this deployment being directed against anybody, namely the resistance against the occupation, which remains a natural right for citizens until it ends," the statement from the army command said.

Military sources said that 500 to 1,000 Lebanese troops had entered the UN zone facing Israel's self-declared "security zone" in the first such deployment in the battle-scarred region in 11 years. But security sources inside the zone, held by the nine-nation United Nations Truce Supervision Force in Lebanon, estimated the number of Lebanese troops at about 300.

About 5,300 UN peacekeepers have patrolled parts of south Lebanon since 1978, but have been unable to prevent guerrillas from launching attacks on the Israeli-occupied south and northern Israel.

Seven Israeli soldiers were killed last month in guerrilla forays into the Israeli zone before Israel unleashed a seven-day air and ground bombardment that left 147 people dead, nearly 500 wounded and half a million displaced.

The onslaught was halted on July 31 by a U.S.-brokered cease-fire. (Reuters, AP)



Townpeople in Qana, Lebanon, celebrating the deployment of Lebanese Army troops in the southern Lebanon village on Monday.

Palestinians Play Down Rift Over Talks

Reuters

TUNIS — Three leading Palestinian peace negotiators from the Israeli-occupied territories thrashed out differences with the PLO leadership on Monday, and one source in Jerusalem said they had withdrawn a threat to resign.

The three, Haneen Ashrawi, Faisal Husseini and Saeb Erekat, refused to confirm or deny conflict reports suggesting that they had submitted and then withdrawn their resignation from the Palestinian delegation to the Middle East peace talks.

Mr. Erekat, a senior delegate, began talks late Sunday

with the PLO leader, Yasser Arafat, at PLO headquarters in Tunis.

Mr. Arafat's aides and PLO officials played down talk of resignations over the presentation of Palestinian amendments to a U.S.-drafted declaration of principles on Palestinian self-rule.

But a senior PLO official, who asked not to be named, said of the three negotiators, "They threatened to resign."

Other members of the negotiating team, including the chief dele-

gate, Haider Abdel-Shafi, headed for Tunis to join the talks.

But in Jerusalem, an adviser to the Palestinian team said that the problem had been resolved.

"They withdrew their resignation and now they are discussing their role in the team," said Azmi Shuabli.

The dispute centers on a decision by Mr. Arafat, after consultations with Egypt, to deliver the Palestinian amendments to the U.S. secretary of state, Warren M. Christo-

pher.

The Palestinians were angry that the U.S. draft did not define the area that would come under limited Palestinian self-rule and that it left Arab East Jerusalem under complete Israeli control.

PLO sources said that Mr. Arafat had violated a PLO executive committee decision on July 3 to neither deal with the U.S. draft nor present amendments to it.

Mr. Abdel-Shafi, passing through Amman en route to Tunis, spoke of signs that Israel could deal directly with the PLO.

"There have been unofficial informal contacts with PLO people, so maybe this will be a prelude to having official contacts," he said.

But in Jerusalem, Prime Minister Yitzhak Rabin said the resignation threat did not mean Israel would talk to the PLO.

Hosokawa Opts for Diversity In Japanese Coalition Cabinet

By T.R. Reid

Washington Post Service

TOKYO — Prime Minister Morihiro Hosokawa on Monday nominated the most diverse cabinet in Japan's postwar history to direct the new coalition government that marks the end of four decades of conservative one-party rule.

Mr. Hosokawa, who professes an admiration for President Bill Clinton, opted for his own version of "a cabinet that looks like the country" by naming a slate that includes politicians from seven different parties and two nonpoliticians from the private sector. Three of the 20 appointees are women, the most in Japanese history.

Only one of the newly named ministers has served in a cabinet before. By Japanese standards, this amounts to a striking infusion of new blood into a political system that had resisted change.

The cabinet was carefully assembled in accordance with what Mr. Hosokawa calls the "new wind" sweeping Japan in the wake of last month's election.

A key reason for that new wind was disgust with political payoff scandals involving the long-dominant Liberal Democratic Party. Reform is a priority for the new government.

Accordingly, Mr. Hosokawa created a new cabinet post of minister of political reform and for it chose Sadao Yamahana, head of the Social Democratic Party. Mr. Yamahana has made a career out of attacking corruption in politics, but as head of a minority party he has not had the power to do anything about it.

Mr. Hosokawa said Monday that his government "will be known as the political reform administration and we will be determined to make an all-out effort to pass political reform laws in this current year," Reuters reported.

The new cabinet is not all new faces. Several of the top positions — including foreign minister, finance minister, minister of international trade and industry, agriculture minister and defense minister — went to Liberal Democrats who joined new parties this summer. Of these, however, only the new foreign minister, Tomomi Hata, has served in a Liberal Democratic cabinet.

But there is also a world turned upside-down flavor to the choices. Wakako Hironaka, for example, Mr. Hosokawa's appointee to head the Environmental Agency, is a fluent English-speaker who was educated in the United States; on her office wall is a picture of then-Senator John F. Kennedy handing her a diploma from Brandeis University in 1960. Mrs. Hironaka, 59, of the Clean Government Party, has been an outspoken advocate of environmental protection.

But Mrs. Hironaka has always been written off as an idealist with no power. Now she has more clout than the Liberal Democratic legislators who scorned her so publicly a few weeks ago.

Another woman, Ryoko Akamatsu, 63, minister of education, is an equally unlikely choice for a cabinet job. She is a former bureaucrat and diplomat who has

never held political office. She took a subway to the prime minister's office for the swearing-in, while veteran politicians were driven grandly to the door in limousines.

Two of the agencies that have been plagued with bribery scandals, the Construction Ministry, which allocates big contracts, and the Transportation Ministry, which regulates transit and delivery companies, will now be headed by Socialist parliament members, indicating that business-as-usual may be ending there.

In terms of U.S.-Japan trade relations, the key figures in the new cabinet will probably be Hirohisa Fujii, the finance minister, and Hiroshi Kumagai, who will oversee foreign trade negotiations.

Mr. Hata, the foreign minister, is perhaps best known to Americans as the man who once argued that Japan could not import American beef because Japanese intestines were different. He now says he does not believe that, but he still expresses concern about beef imports into a country that traditionally has eaten fish and vegetables.

A Fledge on GATT Talks

Mr. Hata said Monday that Japan would retain and strengthen its present foreign policies, Reuters reported from Tokyo.

There are many problems in the post-Cold War era, such as nuclear proliferation, assistance to Russia and delayed economic recovery in the developed countries. And the Uruguay Round of GATT talks is important," he said.

"We will continue the policies, such as aid to Russia and the Uruguay Round, of the old regime," Mr. Hata said. "We aim to expand on these. Japan, one of the major food importing countries, will try to make an effort to succeed in the GATT negotiations."

The New Government

Reuters

TOKYO — Following is Prime Minister Morihiro Hosokawa's new cabinet that was appointed Monday: Prime Minister: Morihiro Hosokawa (J); Foreign Minister: Tomomi Hata (R); Political Reform: Sadao Yamahana (S); Justice: Akira Kikuchi (N); Finance: Hiroshi Fujii (S); Education: Ryoko Akamatsu (N); Health and Welfare: Keigo Ouchi (D); Agriculture: Eijiro Hata (R); International Trade and Industry: Hiroshi Kumagai (R); Transport: Shigeru Ito (S); Telecommunications: Takemasa Kamei (C); Labor: Chikara Sekiguchi (C); Construction: Kono Isarusi (S); Home Affairs: Kanji Sato (S); Chief Cabinet Secretary: Masayoshi Takemura (R).

State Ministers: Management/Coordination: Kazuhiko Ishida (C); Defense: Kazuo Nakasaka (R); Economic Planning: Masao Kubota (S); Science and Technology: Satsuki Eda (F); Environment: Wakako Hironaka (C); National Land, Hokkaido/Okinawa Development: Kenzo Ueda (S).

Key: S-Socialist Party, J-Japan New Party, R-Japan Renewal Party, H-New Heisei Party, C-Clean Government Party, D-Democratic Socialist Party, F-Social Democratic Federation, N-Nonpolitical.

Typhoon Bears Down on Southern Japan

Compiled by Our Staff From Dispatches

TOKYO — A typhoon bore down Monday on Japan's main southern island of Kyushu, where torrential rain has triggered widespread floods and mud slides.

Officials have already reported 45 persons killed because of the storm, which at its center is carrying winds of 160 kilometers an hour (100 miles an hour).

The Meteorological Agency said

on Monday that the storm, designated Typhoon Robin, was expected to bring up to 50 centimeters (20 inches) of rain by Tuesday morning in Kyushu and nearby Shikoku Island.

In South Korea, storm warnings were posted and more than 50,000 ships and fishing vessels were brought into ports.

At least 35 persons were killed in rain-related traffic and other acci-

dents in South Korea over the weekend, when up to 15 inches of rain fell on most of the nation.

The National Weather Service said the main force of the storm was not expected to strike the Korean Peninsula, but would pass at sea to the east sometime Tuesday. Southern coastal areas could expect up to 12 inches of rain, it said. (Reuters, AP)

BOOKS

ELAINE AND BILL, PORTRAIT OF A MARRIAGE: The Lives of Willem and Elaine de Kooning

By Lee Hall. 340 pages. \$25. HarperCollins.

Reviewed by Dore Ashton

IN 1936, Elaine Fried, an art student just 20, described by Lee Hall as "gregarious, ebullient, flirtatious, talented and beautiful" met Willem de Kooning, a respected but struggling painter in New York's downtown Bohemia. He was "amiable but solitary, slow and deliberate in his work, and often gloomy." In 1943 they married.

Despite vicissitudes of infidelity, long separation, debauchery, rivalry and fame, they remained married for 50 years. As her title suggests, Lee Hall sees their lives as a soap opera — one dramatic episode after another with countless "intimates" in the supporting cast who are always willing to tell all. All that is, except why anyone should be interested in Elaine and Bill, since any village can boast its prodigies and nonconformists.

Hall does repeat at regular intervals that the couple worked hard and believed in art, but she is so absorbed in their nocturnal comings and goings that she scarcely finds space to sketch de Kooning's ascent as a world-renowned painter after World War II. Nor does she shed light on why his wife, who participated energetically in the art world, both in its antic and serious levels, became a respected art writer and later a painter well enough known to win a commission to do a portrait of President John F. Kennedy.

From the many interviews Hall conducted (in which she always seems to be asking the wrong questions) she gleams fulsome remarks on de Kooning's "genius," always with a "but" added, and his wife's "vitality," "competitiveness" and manipulative character. Demeaning remarks, most often made by unidentified secondary survivors of the Abstract Expressionist milieu, abound.

Unavoidably, there are references to other significant figures of the period. In these, Hall reveals an appalling indifference to art history and accuracy. In her brief references to Arshile Gorky, who was a significant friend despite the fact that de Kooning himself is on record as having had an infinite respect both for Gorky's talent and his ideas.

Hall describes Gorky as unsophisticated "and interested in little outside his own work." Gorky's interests were, on the contrary, very broad. He read poetry, studied the history of his art and knew people in every cultural profession. He was hardly unsophisticated. More-

over, when he shepherded de Kooning and other artists to museums, they were eager to hear his brilliant, broad-ranging talk.

Early in the book, Hall establishes her TV scenario and everything that follows is based on it:

"What seemed to Elaine and Bill to be merely the work, talk, and social activities of artists eventually coalesced to form the kingdom of Abstract Expressionism. Even as the lively couple made their way among the studios and parties and meeting places of the pre-World War II world, the would-be dukes and emirs, the knights-errant, the court jesters, anguished, and indolent waiting were assembling. As they displayed their costumes and manners, their wares and talents, Elaine and Bill looked them over and formed friendships, alliances of convenience, and social pacts."

On the same page the author quotes a "survivor" of the era calling the couple "smart cookies, smart operators" and, a few pages later, in her usual debased diction, Hall writes: "Whether missionary, proselytizer, or pamphleteer, or the art world's version of the beckoning and welcoming Statue of Liberty, Elaine invited everyone she met into the shores of art. For her, the world would be perfect if everyone

became an artist, albeit subject to the king, Willem de Kooning."

So it seems that all it took for de Kooning to become one of the most esteemed painters in the Western world was a clever publicity campaign, managed by his loving wife.

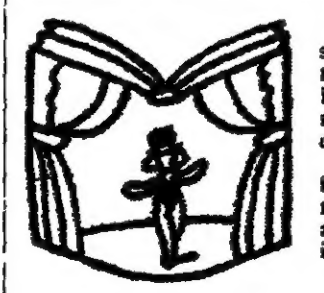
Such arch derogation is usual in this kind of book, but Hall carries it to astonishing lengths. Her most egregious distortions occur when she discusses the role of serious writers such as Harold Rosenberg and Thomas B. Hess, who have walked on appearances as courtiers, or Elaine's lovers, influenced at bedtime in favor of the king.

Despite the core first-name tone, the book is riddled with misquotations and errors. It is pointless to

enumerate them, but they can be gauged by one recurrent detail: Throughout the text, Hall refers to the bar to which artists of the Abstract Expressionist era repaired, which was called on its signboard "The Cedar Tavern," as "The Cedars." There are many still alive who could have told her that everyone referred to this hangout as "The Cedar" or sometimes, as "The Cedar Bar." This small detail speaks volumes about Hall's general ignorance of the period, and her inability to get things right.

Dore Ashton, a historian and critic, wrote this for *The Washington Post*.

WHAT THEY'RE READING



• Joseph Laitin, who has been a spokesman for the Pentagon and the U.S. Treasury — and a former Hollywood correspondent — is reading "Marlene Dietrich" by her daughter, Maria Riva.

"A sensitive, touching, no-holds-barred account which is far better than anything that has been written about Marlene Dietrich by anyone, including me." (Lawrence Malkin, LHT)

CHESS

By Robert Byrne

IN the Schweizerischer Kredit Anstalt-Mephisto International Tournament held in Munich, first place was taken by Latvian Alexei Shirov with an 8-3 score. He played against Robert Hubner of Germany in Round 9.

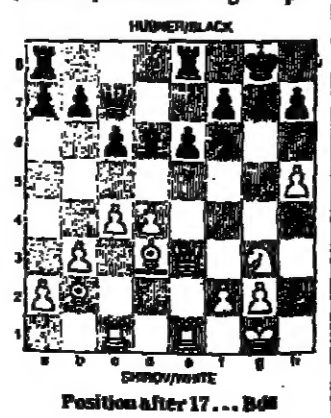
The Rubinstein System in the French Defense with 3...d6 gives up Black's toehold in the center to open the game for a leveling exchange of pieces. White controls more space, but if Black can get enough pieces off the board, that would be of minimum value. In the particular form with 4.Nd4 Bb7 5.Nf3 Bc6, Black is already looking forward to the Caro-Kann-like 10...Bb7 11.Qf5 c6, which braces the center against a breakthrough with a timely d5.

White's activity is thus limited in the center, so Shirov aimed for a kingside attack with 14.h4! Hubner did not want to await events passively, but invited tactical complications with 15...Ng6 16.h5 Nh4.

This gave Shirov the chance to sail in with 17.Qe3 Bb6 18.Ne4!, sacrificing rook for bishop after 18...Bf4 but breaking up the black king position with 19.Nf6 g7 and forcing Hubner to trap his own knight after 20.Qe4! f5 21.Qe2.

After 21...Bc2 22.Rf6 f22...Qf4 23.g3 Nf3 24.Kc2 Qd2 is refuted by

White	Black	White	Black
1. d4	d5	27. Qc2	Qb4
2. c4	c6	28. Qc3	Qc5
3. Nf3	Nf6	29. Qc4	Qd6
4. Nd4	Bb7	30. Qc5	Qe7
5. Nf3	Bc6	31. f4	Rd8
6. O-O	O-O	32. Qc6	Rd7
7. Qd2	Bb6	33. Qc7	Rd6
8. Ng5	O-O	34. Bf4	Rd7
9. Bc2	Bb6	35. Qc8	Rd6
10. Qd3	Bb6	36. Qc9	Rd6
11. Qd4	Bb6	37. Qc8	Rd6
12. Qd5	Bb6	38. Qc9	Rd6
13. Qd6	Bb6	39. Qc8	Rd6
14. h4	Bb6	40. Qc9	Rd6
15. Ng6	Bb6	41. Qc8	Rd6
16. h5	Bb6	42. Qc9	Rd6
17. Qe3	Bb6	43. Qc8	Rd6
18. Ne4	Bb6	44. Qc9	Rd6
19. Nf6	Bb6	45. Qc8	Rd6
20. Qe4	Bb6	46. Qc9	Rd6
21. Qe2	Bb6	47. Qc8	Rd6
22. Rf6	Bb6	48. Qc9	Rd6
23. g3	Bb6	49. Qc8	Rd6
24. Kc2	Bb6	50. Qc9	Rd6



At Pentagon, Maneuvers for Powell Job

By Michael R. Gordon and Eric Schmitt

New York Times Service

WASHINGTON — On Tuesday night, President Bill Clinton will be the host for an unusual soiree at the White House: The guests will be his 16 top military commanders.

For a handful of these admirals and generals, the occasion will test all their political and diplomatic skills. After dodging danger in Vietnam, logging long hours to make their superiors look good and maneuvering to reach the military's top echelons, they have emerged as the leading candidates to be the next chairman of the Joint Chiefs of Staff.

As General Colin L. Powell prepares to retire as chairman Sept. 30, the jockeying to succeed him has become one of the armed forces' chief preoccupations, and among the hottest topics of gossip in Washington.

The decision is as important to Mr. Clinton as it is to the Pentagon. Besides advising the

president on the use of military force while presiding over the shrinking armed forces, the new chairman must help ease the dividing between a uniformed rank and file that still does not completely trust its commander in chief or his avoiding the draft in the Vietnam War.

Les Aspin, the secretary of defense, and W. Anthony Lake, the national security adviser, have already started winnowing the candidates. Mr. Clinton is expected to interview two or three of them before making his choice in early September.

For each president, the selection of a chairman of the Joint Chiefs has been based on a mix of résumé and instinct.

By all accounts, General Powell's departure means there is a large role to fill. During his term, he was in most instances a conservative figure. He resisted military intervention in Bosnia, opposed a major restructuring of the armed forces' roles and missions and argued against accepting openly gay soldiers.

He also developed enormous credibility with the public, played a major role in shaping national security policy and was as good a politician as he was a soldier.

While none of General Powell's potential successors is as renowned, Mr. Clinton will need a chairman who can project his sense of trustworthiness and authority.

Early handicapping puts General Hoar among the front-runners. As commander of the Central Command, he has experience in

the race is beginning to shake out. Pentagon officials said some of the early front-runners, like Admiral Paul David Miller, commander of U.S. forces in the Atlantic, have dropped from serious consideration. But a dark horse, General Joseph P. Hoar of the Marine Corps, General H. Norman Schwarzkopf's successor as commander of the U.S. Central Command, may be leading the pack.

For each president, the selection of a chairman of the Joint Chiefs has been based on a mix of résumé and instinct. President Ronald Reagan selected Admiral William J. Crowe Jr., then the head of the Pacific Command, after meeting the admiral in Hawaii and striking up a good personal rapport.

President George Bush selected General Powell over General Robert Hartzel, the vice chairman of the Joint Chiefs of Staff, based on Defense Secretary Dick Cheney's recommendation and the general's White House experience as a national security adviser.

Admirals or army generals have filled the chairman's job for 11 years, so if tradition is a guide, an air force officer should get it. But the administration has said it would not be bound by history, throwing open the field.

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While none of General Powell's potential successors is as renowned, Mr. Clinton will need a chairman who can project his sense of trustworthiness and authority.

Early handicapping puts General Hoar among the front-runners. As commander of the Central Command, he has experience in

joint operations. His post makes him responsible for military operations in Somalia and Iraq, where the Clinton administration began its first combat experience. The job as chairman of the Joint Chiefs has a diplomatic dimension, too, as it demands shoring up American ties in the Middle East and Southwest Asia.

Tall and articulate but not one to seek the spotlight, General Hoar handles himself well in public. "He looks the part," a Pentagon official said.

No Marine has ever served as chairman of the Joint Chiefs. But that may be an advantage for the administration, as it would allow the White House to break ground.

Admiral Charles R. Larson is another top contender. As head of the Pacific Command, which stretches from the West Coast of the United States to the east coast of Africa, with 45 countries in between, he has polished his diplomatic skills.

Mr. Clinton met with the Admiral Larson in Hawaii, and the two even squeezed in a golf game.

The main air force candidate is General Merrill A. (Tony) McPeak, the air force chief of staff. A flinty, rail-thin former fighter pilot who served in the crack Thunderbolt demonstration team as a young officer, he has met some criticism in restructuring the air force. His air force credentials are an advantage in an age in which gunboat diplomacy has been replaced by air strikes.

The lone army candidate is General John Shalikashvili, the Polish-born commander of the North Atlantic Treaty Organization who is overseeing the planning of air strikes in Bosnia.

General Shalikashvili has a sophisticated grasp of the European scene and favors expanded military contacts with Russia and other members of the former Warsaw Pact. But picking him would remove him from a critical post at a time of turbulence in Europe.

Only about 4,000 U.S. troops remain in Somalia, down from approximately 22,000 earlier this year, but they have been the target of snipers and drive-by shootings since the United Nations took control of the operation in May.

Sunday's deaths and the other attacks have prompted calls in some quarters to end the nine-month-old U.S. involvement in Somalia where the UN command has about 20,000 troops protecting relief supplies.

The White House press secretary, Dee Dee Myers, traveling with President Bill Clinton in West Virginia on Monday, said however that no such plans were imminent.

Relief workers say the guerrilla warfare work that the UN force was sent to protect. Most airworkers have left Mogadishu, and the few remaining are holed up in their heavily fortified compounds.

(Reuters, AP)

U.S. Vows Pursuit of Somali Killers of 4

Compiled by Our Staff From Dispatches

WASHINGTON — The chairman of the Joint Chiefs of Staff said Monday that American military forces would pursue those responsible for the deaths of four U.S. servicemen in the Somali capital, Mogadishu.

"Obviously we are interested in going after any of those responsible for the incident if we can find out who they are," General Colin L. Powell said.

The four American soldiers, part of a United Nations force in Somalia, were killed Sunday when a land mine blasted apart their military vehicle.

General Powell said that there was no new U.S. policy in Somalia but that "we will have to undertake more security operations."

Several dozen armored personnel carriers arrived in Mogadishu on Monday to bolster UN ground forces. The UN military spokesman in Somalia, Major David Stockwell, said the vehicles would make the multinational force more mobile on the ground in the face of hit-and-run attacks by Somali gunmen.

"As we have seen in the recent days," he said, "road travel in Mogadishu has become hazardous. Attacks have taken new dimensions, and we have to deal with that."

The UN has been criticized for patrolling Mogadishu mostly by helicopter and relying too much on American firepower from the air, risking civilian casualties and leaving gunmen free to roam the streets.

A faction loyal to General Mohammed Farrah Aidid, the fugitive warlord who has been blamed by the UN special envoy, Jonathan H. Howe, for recent "terrorist attacks," denied responsibility for the U.S. deaths.

A statement released in Nairobi by General Aidid's Somali National Alliance, warned that retaliatory action by U.S. forces equipped with "the latest weaponry for mass massacres" would plunge Somalia into "

or Divers
ition Cabin

Style

Blowing Kisses on Couture Circuit

By Alex Witchel
New York Times Service

LONDON — Blowing kisses is an underrated art form. It takes a master to do it properly, which is totally straightforward. You can't mock the kiss, you can't mock the person. You must put your heart and soul into it, be overcome with the sheer delight of happening upon the object of your affection, just out of reach.

This is how it is when Tomasz Starzewski sweeps into lunch at Bice, a newly opened branch of the Italian restaurant. Sweeping is yet another art form, but it's not Starzewski's. He sweeps small, in the background, allowing the woman he accompanies the big sweep, a method that works best in clothes he has designed. If she is not wearing his clothes and is not much of a sweeper herself, well, that's paradise lost for you.

Today, Starzewski lights a Dunhill menthol and surveys the room. "Lovely to see you," he calls to a woman at a nearby table, and indeed, his face is alight with joy. He has never been happier to see anyone — until he sees the next table. "Look around the room," he whispers excitedly. "That table is Harper's Bazaar. That one is Carri, the other is Gucci." He turns, breathless, for the finale. "And me."

Actually, it's sort of sweet that Starzewski is still so excited by the whirl of society ladies, celebrity ladies and royal ladies who come to his couture house, seeking out his brightly colored, highly theatrical evening wear. At 32, he is one of only a handful of couturiers in London, among the youngest, and possibly the canniest.

He reaches beyond tightly circumscribed London society to a larger, more international set for his clientele. And while most couture evening gowns start at \$15,000, his are in the \$5,000 range. The husbands just love him.

And Starzewski loves his customer. May, he does upon her. He is the fleetest summoner of waiters, the fastest draw in the West End with a cigarette lighter. When he meets a woman he is instantly, again, his only desire, as he says repeatedly, is to make her look good. And they love it.

"Seeing Tomasz is a whole event," one customer says. "You have coffee, he tells you the latest gossip, he makes you feel special. He really loves women and knows



Tomasz Starzewski is the fastest draw in London with a cigarette lighter.

how the clothes can accentuate their pretty parts while masking what's unflattering. He makes you feel beautiful."

Starzewski says: "I am not an innovator. I'm not going to change what fashion is about. My collection is formal, known for fun and color. We are interested in making a statement. I probably cater to quite a confident woman who doesn't want to hide."

Indeed, there are bubble-gum-pink satin evening coats, lavender jackets with bell sleeves, gowns of emerald velvet striped with mint silk, handbeaded dresses studded with pearls. Black is not much in evidence. "As you get older, the more color the better," Starzewski advises. "It's kinder. Much, much kinder. I always suggest navy or chocolate brown, which are much softer. Black can be cruel."

A recent article in *Tatler* magazine proclaimed Starzewski's clothes "the sexy side of dowdy." He shrugs. "My clothes are not vulgar," he says. "I believe in mystery."

So do many of his customers, especially the very rich who will not allow him to mention their names — publicity is so common — and some of them, he says, will selflessly lie when asked who does their clothes. "Women are very funny as customers," he sighs. "Some will keep you a secret."

Like the Princess of Wales, Well, actually she doesn't keep the secret, he does. When the princess wears his clothes everyone knows it, but Starzewski keeps mum. "No one discusses the royal family," he says somberly. "It is a privilege of the royal family to discuss you."

The Duchess of York, it seems, merits a little less privilege since her separation from Prince Andrew. Formerly a customer of Starzewski's, she hasn't been around lately. "She's not really shopping right now," he says delicately. "She's still wearing my clothes, which I think is nice, but it's just not right for her now to be seen buying."

Ivana Trump has no such restraints: Starzewski says, "I've done her whole spring and summer wardrobe." She found the designer through Shakira Caine, Michael Caine's wife. Annie Lennox is also a customer. "She walked in off the street," he says. And here's a pair of customers who give credence to Starzewski's claim that if he weren't a designer he'd be a therapist: Cosima von Bulow and Robert Maxwell's daughter, Ghislaine. He calls both "dear friends," not to mention his other dear friend, Stephanie Powers: "I just did her wedding in Kenya to a lovely Frenchman. They both play polo."

WEDDINGS are a specialty of Starzewski's. He made quite a splash a few years back with Victoria Lockwood's sable-trimmed gown when she married Viscount Althorp, the Princess of Wales's brother. "I have a list of 2,000 customers with a core of 150," Starzewski says. His couture and ready-to-wear grossed £1 million (about \$1.5 million) last year.

"My customer is a traveling customer," he says. "I have to think not only about London, but the south of France, the Vienna balls, Strasbourg, Palm Beach. And people are more economical now. A suit can't be worn just once anymore. But the British by nature have never been like that."

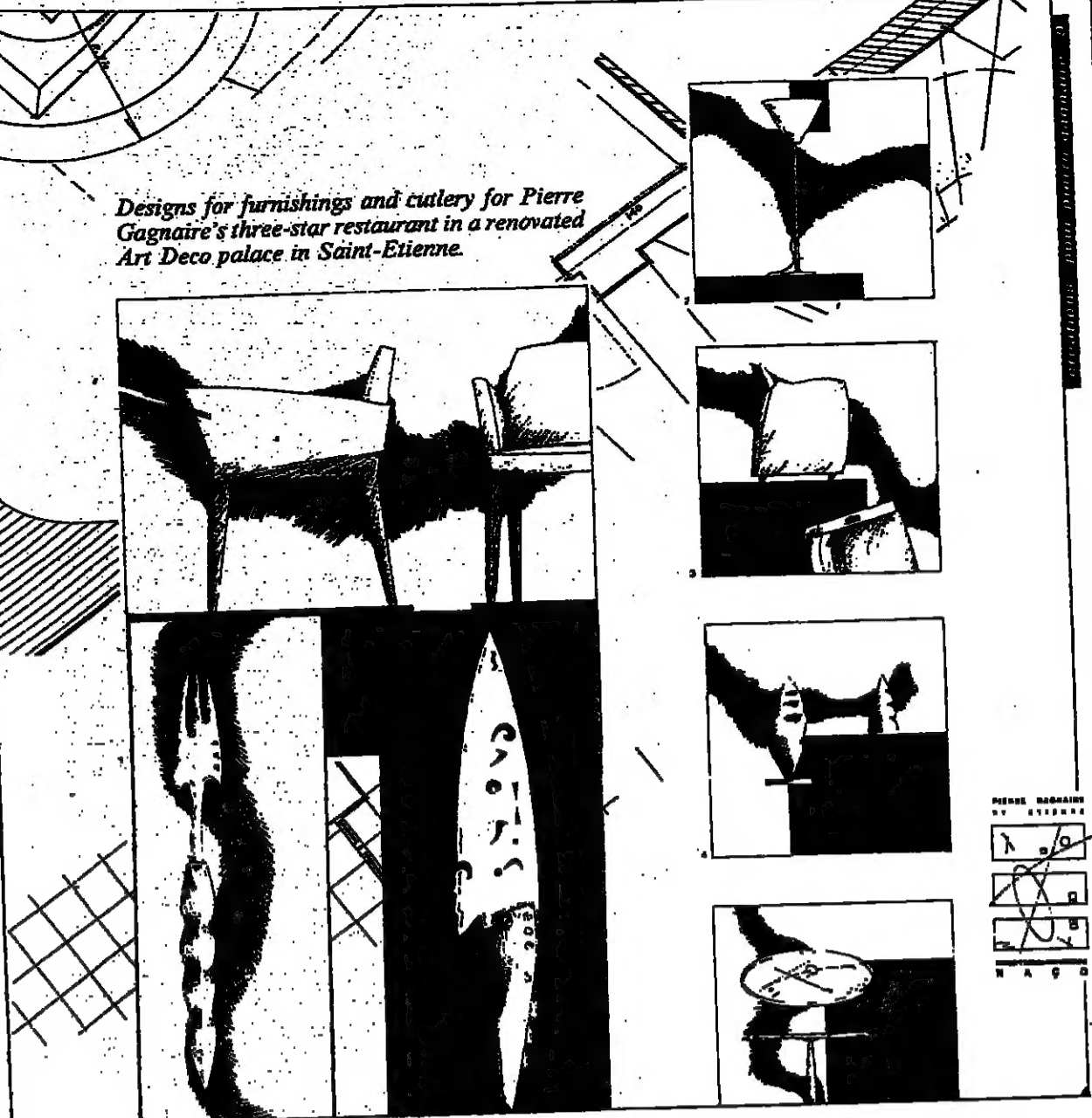
So, what are they like? If a woman newly arrived in London came to his door, what would she need? "A basic dinner suit," he says, "a dinner dress, and one long dress you could wear to a ball or a very smart dinner. There are very few balls here. We don't have a charity circuit like in the States. It's very private in England, how people dress up."

"You need to have a couple of day suits," he continues. "For lunch at Caprice, christenings, charity lunches, racing, weddings. Then you need a smart jacket for week-end house parties, a dinner dress and dinner suit. A suit for first nights at the theater or for dinner parties. And if you're going to Ascot, which is three days, you'll need three different outfits, two suits and a dress and a different hat each day. Gowns are for private dances, which are invariably held outside London. There were three big ones last week — one in Paris, which I did six dresses for."

"You see," he says, "I feel fashion is a service very easily misinterpreted as an art form. Some designers are true artists. A genius is St. Laurent, changing how women wear clothes. And if you're going to a business, I find fashion to be very fickle and not particularly nice. The garment industry is actually terrifying."

The Gucci table waves goodbye. So does Starzewski, settling back with a contented sigh. "I think I'm really quite lucky to have the gentlemanly side in fashion."

مكتبة الزامل



Designs for furnishings and cutlery for Pierre Gagnaire's three-star restaurant in a renovated Art Deco palace in Saint-Etienne.

Blending Decor and Cuisine

By Christopher Petkanas

SAINT-ETIENNE, France — It is all very nice to be on the cutting edge of late 20th-century design, tweaking the soaring public in the country's grim industrial heartland with polished stucco, frezcos crawling with insects and monumental sliding doors of shattered glass. But there is a price.

Determined to find out for himself that a bristling, wildly colored chandelier was really made of hand-blown glass, a recent customer at Pierre Gagnaire's three-star restaurant here 65 kilometers (40 miles) southwest of Lyon stroked one of its spiguly-tailed elements a bit too enthusiastically. It snapped off in her hand.

That is perhaps not the worst of it. The 43-year-old chef and his impassioned architect, Alain Renk, 32, and Marcello Joulia-Lagares, 34, of Studio Nago in Paris, say they almost killed themselves bringing to fruition their white elephant of an Art Deco palace, built in 1932 by a pharmacist credited with inventing a miraculously beneficial liquor.

A bold and uncompromising essay in post-modernism, with fragment references to the work of the Memphis group Ettore Sottsass founded in Milan in 1981, Gagnaire's eponymous establishment blasts away accepted notions of what a top-grade French restaurant should look and feel like.

Yet for his more than \$1.1 million spread over 1,000 square meters, he is often rewarded with rather well-padded provincial clients who know their way around an encyclopedic wine card but, alas, just don't look the part. Short sleeves, sandals with socks simply don't make it in this peppery, high octane, wilfully anti-establishment environment.

Restaurant design is a crowded business in France these days and too lucrative for even residential decorators to snub. In Paris, Jacques Grange did l'Avenue, Bernard Pacaud chose Francois-Joseph Graf for l'Ambroisie, and Joel Robuchon brought over Nina Campbell from London for his Relais du Parc. Campbell has positioned herself as the latter-day Elsie de Wolfe and, what is more, has everyone believing it.

Everywhere your glance happens to settle chez Gagnaire, from rippling plates framing the light switches to the glass and mahogany

bins for soiled towels in the bathrooms, there is evidence of the designers.

The chef naively assumed he would have a big sign outside with his name on it until Renk, who is French, and Joulia-Lagares, who is Argentine, put him straight. "You're offering Saint-Etienne a work of art with this place," they told him. "Forget the sign."

Clients find the restaurant pure and restful or bare and aggressive, but no one disputes that it has been custom-designed — five different door handles, 40 light fixtures — to within an inch of its life.

The French food and design world has had its eyes trained hungrily on Gagnaire (the audacious cross-cultural culinary wizard) since Michelin bumped him up from two to three stars in February.

This is, of course, the guide's ultimate rating, which leads to high-paying consultancy contracts and frozen foods with your picture on the package. Currently only 19 chefs have it. One of them is Bernard Loiseau, who has had the candor to admit that earth-shaking cooking alone will not bring a chef his third so-called macaroon: "You have to have magnificent decor, magnificent flower arrangements."

With this in mind, Gagnaire ascension is read on several levels. Many see it as a long-awaited signal that the conservative, uptight old Michelin is finally willing to acknowledge something other than the traditional if rather ho-hum, vulgar brand of luxury that Loiseau installed at his Cote d'Or in Saint-Germain-Burgundy. For its part, the guide has said that there is, indeed, such a thing as a chef spending too much money. This certainty comes as a surprise to those craving for its recognition.

"Pierre's restaurant is like a film or book that unfolds in sequences or chapters," says Renk. "Superficially the spaces are quite easy to understand. Ivory walls, panels of color — that is the rapid first impression. Then little by little the details become apparent: a glass gem set in a cast aluminum door handle, wood-rimmed portholes looking into the kitchen. You can eat four or five times here and each time still discover something new. While the work was going on Pierre would ask us to taste new dishes he was developing, and we would show him new designs for tables, lamps, soap dishes, whatever. There was this constant game between us to go further and further."

The principals of Nago, which means intuition in Guarani, an Indian dialect of northern Argentina) did not hesitate to enlist the collaboration of artists and craftsmen. They include the designer of the French pavilion at Seville's Universal Exposition, Francois Seignoux, who "sculpted" a cube out of the restaurant's cream-colored facade by painting the central entryway white; Guillaume Saubourg, who did the heroic glass doors; and Francois Baucher, who contributed the massive and uncomfortable-looking red bench in the reception area. An American, Scott Sagenmann, did the glass chandelier and giddy torchlike wall lights following Nago designs.

Next for Renk and Joulia-Lagares is the Odeon on London's Shaftesbury Avenue, where Bruno Loubet will be hanging his toque in May.

A lot has been made of how uncannily Gagnaire's cooking and Nago's stage set for it knit together. When desert rolls around the two are especially complementary and mutually flattering. Saffron-scented cubes of mellowed tower of baba, *creme patissiere*, a flat almond-less *rulle*, and rhubarb marmelade. Licorice ice cream comes poised on a blistered puddle that turns out to be Italian meringue flashed with fire.

"If the atmosphere Marcello and Alain have created is not a reflection of my cuisine, it is at the very least the extension or translation of my desire to describe a universe that is my own," says Gagnaire. As for the much ballyhooed third star, "Theoretically, the decor has nothing to do with it. The Michelin people aren't crazy you know. These are hard times. More than ever they are judging a man by his work. More than ever they are looking for cooking that expresses a personal style, something strong, real."

As concerns the decor, maybe too strong. "Some customers reproach the fact that there are so few paintings and green plants," says maitre d' Claude Dupont, who thinks a more classic setting would have warred with Gagnaire's food. "Some people just don't understand a blank ivory wall."

Christopher Petkanas is writing a history of the New York decorating firm Parish-Hadley, and a book on the culture of cuisine in Provence.

STYLE MAKERS

Porcelain Star
AN ARTIST'S PROMOTER

New York Times Service

RENTON, New Jersey — As the sixth of seven children of Italian immigrant parents, Helen Frimzolin Boehm sewed dresses for her junior high classmates in Brooklyn to help the family make ends meet. She never imagined that someday she would be hobnobbing with heads of state and royalty.

In 1944, at the age of 24, she married Edward Marshall Boehm, a special member of an aerial bombardment unit of the U.S. Air Force who had a gift for creating animal figures from clay.

Boehm went on to create porcelains from his Trenton studios that are exhibited at sites like the Metropolitan Museum of Art, the White House and the Eisenhower Library. The Boehms recently commissioned the Boehm studio to reproduce in porcelain two frescoes from the Sistine Chapel by Michelangelo.

Today, Helen Boehm, whose husband died in 1969, is chairwoman of the Boehm Porcelain Studios in Trenton.

Q. It's been said that you made your late husband a star. How accurate is that?

A. Mr. Boehm was a star in his own right, of course, but he was a very, very shy man. He was truly most at home with the animals he loved, and he hated interviews. So I had to do a lot of the talking for him. I think we were a wonderful team: the shy artist and his aggressive salesperson wife. Together, we made a whole.

Q. How did your husband get his artistic start?

A. After the war, he was working as an assistant to a veterinarian on Long Island, where we lived, and spending his nights making clay models of dogs and horses and birds. Our entire apartment was filled with those sculptures. But I hated watching Ed turn to art, his real passion, after he was exhausted from working all day.

Q. One night early in our marriage I sat down with him at our kitchen table and begged him to get serious about his art. After that, he began studying and going to museums, and I think we both knew then that our future would be in his art.

Q. What happened then?

A. Ed had started going to Trenton on the train on Saturdays to research the ancient way of hand-building clay. And one day he actually found what he was looking for — his own formula for hard-paste porcelain that combined several

clays and gave him the transience he wanted. I was still working at an optical shop in Fifth Avenue. Some of our clients were very prominent, and I knew that what Ed needed was a backer.

Q. How did you find one?

A. We had a very rich client at the optical shop, who would always ask me about Ed on his visits. One day, I just got up the courage and asked him whether he'd be willing to finance Ed and help him establish the only hard-paste porcelain studio in America.

Q. How did your late husband's works first get to the White House?

A. I wrote to Mrs. Dwight Eisenhower in 1954 about our operation, however in 1954 about our operation, and got a letter from the White House two weeks later with three cents postage due. I paid the three cents, and opened a letter inviting me to lunch at the White House. When I arrived, I presented a Hereford bull to the Eisenhowers.

Q. When your husband died in 1969 of a heart attack, some felt the company was so dependent on his talent that it could not survive without him. How did you continue?

A. There was an amazing omen right away. We were commissioned by President Nixon to create a new symbol of world peace. We decided on two mute swans, and it was the most difficult project we'd ever attempted. It took two years and 10 tons of plaster to make, and when the piece was finally finished, we learned that President Nixon was taking the mute swans as his gift to the people of China on his 1972 trip. I felt validated, and I felt stronger than I ever had in my life.

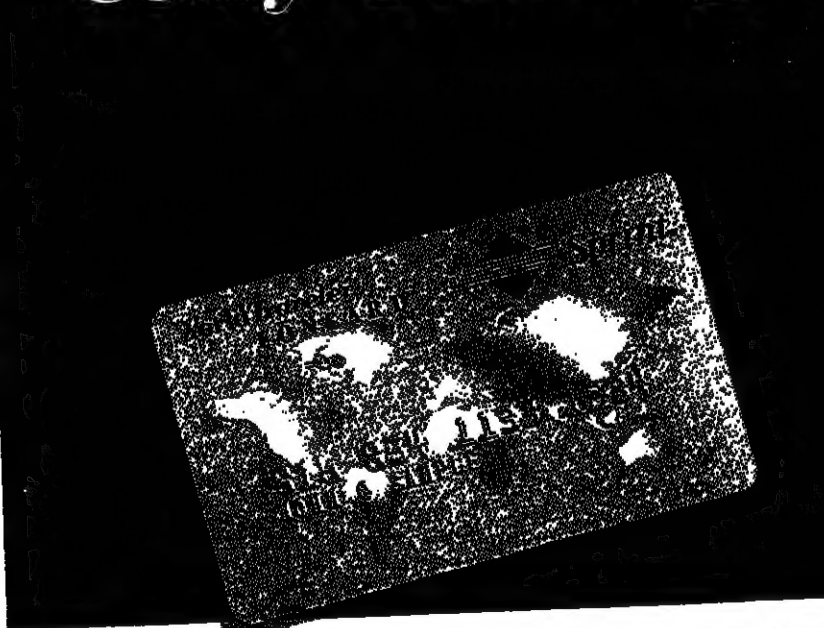
Q. You could easily retire. Why don't you?

A. I think energy is the gift I was born with. People energize me. Life energizes me. And so does beauty. I admit that I sometimes overdo things, but I live by this philosophy: "If you rest, you rust."

Sally Friedman

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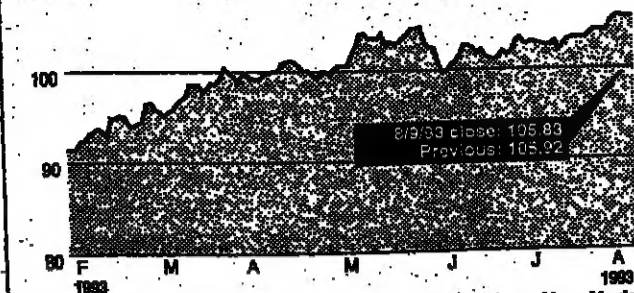


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THE TRIB INDEX: 105.83

International Herald Tribune World Stock Index of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Asia/Pacific	Europe	N. America
Approx. weighting: 25%	Approx. weighting: 40%	Approx. weighting: 35%
Close: 127.79 Prev: 128.10	Close: 100.59 Prev: 100.72	Close: 92.07 Prev: 91.91



Industrial Sectors

	Close	Prev.	% change		Close	Prev.	% change
Energy	103.71	103.68	+0.05	Capital Goods	102.47	102.43	+0.04
Utilities	111.53	111.67	-0.11	New Materials	103.45	103.83	-0.37
Finance	118.25	118.38	-0.35	Consumer Goods	85.35	85.44	-0.11
Services	113.86	113.43	+0.38	Miscellaneous	106.13	105.41	+0.68

For readers desiring more information about the International Herald Tribune World Stock Index, a booklet is available free of charge by writing to: Trib Index, 181 Avenue Charles de Gaulle, 92091 Neuilly Cedex, France.

INTERNATIONAL STOCKS

Experts Wave Caution Flag In Rush to Europe Markets

By Kathryn Jones
New York Times Service

NEW YORK — Loosening of Europe's currency controls set the stage for rallies in some stock and bond markets, but analysts are advising Americans to make long-term decisions instead of short-term bets on Europe. A strengthening dollar could offset any gains, and foreign markets remain unpredictable.

The smart money went to Europe earlier this year, said Justin Scott, portfolio manager of the Putnam Europe Growth Fund. European stocks had an explosive first quarter and another spurt recently. Still, Mr. Scott sees room for further gains.

U.S. investors "love the grass on the other side of the fence," said Richard Schmidt, a money manager with Stellar Management Inc. He prefers domestic stocks, including multinationals like Motorola, Coca-Cola and AT&T, which could benefit from a recovery in Europe.

The August poll of fund managers carried out by Gallup for Smith Barney found that the crisis in Europe unleashed a surge of buying in British and European stock markets as expectations of lower interest rates increased. Bloomberg Business News reports that fund managers now expect the German discount rate to be at 5.1 percent in 12 months, down from 6.75 percent.

Jack Brill, an independent financial planner in San Diego, advises investors eager to get in on the action in Europe to put their money in international stock funds, which provide some exposure to Europe with less risk.

The choice between stocks and bonds comes down to recent performance, said Kevin McCarty, a portfolio manager at Fidelity Investments who works with European institutional money. Bond prices in Europe have been rising for two years, while equity markets have been going up for six to nine months, indicating stocks are poised to do better, he concluded.

The biggest rallies since last fall have been in stock and bond markets in Britain and Italy, which pulled out of the exchange-rate mechanism last year. Most funds have the largest chunk of their assets in Britain, followed by France, Switzerland and Germany.

Some fund managers predict assets will eventually shift to countries that could benefit most from lower rates. While noting that his Putnam fund is not making big changes, Mr. Scott said France and smaller markets like Ireland, Denmark, Portugal, the Netherlands and Switzerland were becoming attractive.

Fund managers say the substantial increases in the dollar this year also bode well for American investors.

López Says VW Staff Had Data

Compiled by Our Staff From Dispatches
DARMSTADT, Germany — José Ignacio López de Arriortúa, the Volkswagen purchasing manager, has told German prosecutors that some General Motors Corp. documents might have been in possession of former GM employees when they joined VW, the prosecutors' office said on Monday.

"We haven't fully evaluated his statements yet," said Georg Nauth, spokesman for the prosecutors' office in Darmstadt. "They were only delivered to our office late Friday night, long after office hours. But they do indeed concede that some GM/Opel documents might have been in the possession of some former GM employees after they left the company."

Mr. Nauth declined to give further details. He could not say whether Mr. López had admitted that he himself had been in possession of some GM papers. "I didn't say López himself admitted having had such papers," Mr. Nauth noted. "Neither did I say he admitted any of the documents in question might have been confidential."

However, the DPA news agency said minutes from a VW board meeting Friday quoted Mr. López as saying that "on his orders in the week starting March 22, cars he took with

him were inspected and documents which may have been linked to GM/Opel and may have contained sensitive information were destroyed."

And VW said that the destroyed documents "were, however, put together and sent by employees who even today are still working at Opel." A VW spokesman, Lutz Schilling, declined to give any more details.

Meanwhile, the German Chancellor entered the fray for the first time Monday with a call for the rival carmakers to settle their affairs in private. "If VW and General Motors talk to each other, as I believe, in a highly distasteful way, that is their business," Helmut Kohl said on German television. "But they should give fewer magazine interviews and do more to take care of business. Then things will improve."

For months, Volkswagen's management refuted allegations that any GM documents had ever come into their hands. But then, late Friday, VW admitted that former GM employees had shredded documents that may have belonged to GM.

Despite the VW admissions, analysts say that the German carmaker may emerge the long-term winner from the current battle.

France Hazards Small Rate Cut, Franc Holds Up

By Erik Ipsen
International Herald Tribune

LONDON — One week after the emergency loosening of the European currency grid, France on Monday began ever so hesitantly to try out its new freedom to reduce interest rates.

Permitted now to see the franc move down as much as 15 percent from its central rate in Europe's exchange-rate mechanism, compared with 2.25 percent before the loosening, the French central bank shaved a quarter of a percentage point off its overnight borrowing rate, lowering it to 9.75 percent.

"I think they were testing the waters," said Brian Hilliard, an economist with Société Générale Strauss Turbulla in London.

By not losing too much ground against the Deutsche mark in quiet trading Monday — the mark rose just 0.3 percent in London, to 3.5050 francs from 3.4950 on Friday — the franc has shown a degree of durability that analysts say may allow French officials to cut rates still further.

But the scenario of drastic cuts in interest rates sweeping Europe, which seemed to be the consensus forecast a week ago, now looks increasingly unlikely.

In fact, a gap has opened in recent days between the forecasts most commonly heard in London and those on the Continent. The consensus view of Anglo-Saxon economists and currency experts was that France, Denmark and Belgium would be quick to seize the advantage of the wider fluctuation allowed to their currencies and let interest rates drop to revive their economies.

"It is silly to go through all the pain and the loss of a great deal of credibility and then not to take advantage of the situation by lowering interest rates," said Steve Barrow, a currency economist at Chemical Bank in London.

But the European currency grid that was so widely pronounced dead, or nearly so, in London and New York seems, for the moment at least, very much alive in Europe.

"The idea that we went to wider bands in order to cut interest rates is just something put out by the English and Americans," insisted a French economist. "We went to wider bands to keep the exchange-rate mechanism alive in the face of intense currency speculation."

The view on the Continent is that the dream of European unity is far from dead, and more importantly, is worth continued nurturing.

U.K. Stocks Set Record, Milan Rises

Compiled by Our Staff From Dispatches
LONDON — Britain's stock market ended at another record high Monday on continued hope of interest-rate reductions across Europe as well as favorable British economic trends and expectations of stronger corporate earnings.

At the close, the Financial Times-Stock Exchange 100-share index was 16.60 points higher at 2,986.40, eclipsing the previous record set Friday. Turnover was moderate, with 523.9 million shares traded.

Italian stocks, meanwhile, closed at their high for the year, with the MIB index rising 19 points to 1,300.

Italian SPA shares were actively bought because of government plans to merge the company with the telephone operating company SIP, brokers said. Fiat and Olivetti were also strong.

In Paris, the CAC-40 index of French stocks fell 11.31 points to close at 2,138.52. Dealers said the market was seeing light profit-taking after last week's move to historic highs. But they said foreign investors appeared still to be bullish on the French market, and several sectors saw gains.

(Reuters, Knight-Ridder)

BA: Will a Minority-Stake Empire Jell?

International Herald Tribune
LONDON — You are flying from London to Pittsburgh. The plane, the crew and even the water are the property of British Airways, yet the accents of your pilot and crew and even their style seem more Lincoln, Nebraska, than London.

In fact, both the plane and the crew are on lease to BA from its partner USAir. Welcome to the pioneering and oftentimes culturally confusing world of global airlines BA style.

Having splashed out \$619 million (\$929 million) in the past year buying everything from minority stakes in USAir and Qantas to regional carriers in Russia, Germany, France and Britain, BA's chairman Sir Colin Marshall now faces the daunting task of making sense of it all, perhaps as early as Tuesday, when BA will announce its half-year results.

"It is a bold experiment in which they are trading on entirely new ground," said Paolo Pozzani, an airline consultant with SRI International. He likens it to the titanic efforts decades ago to set up such peculiarly multinational concerns as Royal Dutch/Shell and Unilever.

For Sir Colin, the mandate is to wrench from his newly acquired world of global alliances that elusive concept he calls synergy. To do that he must stitch BA's fledgling global alliance close enough together not simply to share costs of such things as new booking systems, but to actually share planes, crews and conceivably even an identity.

can do more of what has already made his airline the Western world's most profitable — save on costs. In the last two years, BA has cut its costs by a whopping \$415 million and it aims to add another \$150 million to that toll this year. Seen in light of predictions that BA will make \$270 million this year in pretax profits, those savings have spelled the difference between profit and loss.

The danger, though, is that by linking itself ever closer to less-efficient partners, BA runs the risk of not only diluting its own gains but crucially of confusing its very identity in the minds of the consumer. Even Sir Colin concedes that the use of partnership equipment and crews "certainly does raise the whole issue of branding."

Sir Colin is keenly aware of the risks. He first made a name for himself as chief executive of Avis Inc., the car-rental company, and was reported to be a strong contender earlier this year to succeed James Robinson 3d as the head of the owner of one of the world's most meticulously polished brand names, American Express.

"You don't achieve change in this industry overnight," he said. "It is still early days."

"The only way open to them to build a global airline and to access better growth is to invest in other markets where the growth is higher than in their home market," said James Halstead, an

U.S. Stocks at a High As Bond Yields Fall

Compiled by Our Staff From Dispatches
NEW YORK — Yields on 30-year U.S. Treasury bonds were pushed to record lows and stocks were at all-time highs Monday, rallying after the passage of President Bill Clinton's deficit-reduction plan on Friday night.

The budget plan and Mr. Clinton's efforts to reform the American health-care system would lead to tax increases, limit economic growth and depress inflation, traders and analysts said. Such an environment makes long-term bonds a favored investment, and because Mr. Clinton had already decided to limit the government's borrowing through 30-year issues, that maturity also has scarcity value.

The 30-year Treasury issue closed at 108 1/32 on Monday, up 1/32 on the day. At that price, the yield was 6.46 percent, the lowest since the government began regularly selling 30-year issues in 1977 and down from 6.53 percent on Friday.

Enthusiasm spilled over into the stock market, where the Dow Jones industrial average closed 15.65 points higher, at 3,576.08, well above its record close of 3,567.70 set on July 26. Although the prospect for weak

Winners and Losers in New U.S. Tax Bill

By Floyd Norris
New York Times Service

NEW YORK — The new U.S. tax measure has good news for some real estate investors, but many other investors will find bad news in it. The value of some municipal and corporate bonds may go down, but not nearly as much as if the bill had been passed a few years ago. And if the bill had been passed a few years ago, investing in bankrupt companies would become even more hazardous than it was before.

The most important real estate change affects investors actively involved in managing a property. They will be permitted to deduct losses from the property against ordinary income. Losses from other real estate investments, like limited partnerships, will remain deductible only from income earned on similar investments, known as passive income.

Other real estate changes make it easier for pension funds to buy into real estate investment trusts, without jeopardizing the trust's special tax benefits. These trusts lose tax benefits if they are more than half-owned by five or fewer investors. The old law treated a pension fund as one investor; the new measure provides that a pension fund's investments will be attributed to all its beneficiaries.

It will also be easier for pension funds to buy leveraged real estate and to form what are effectively joint ventures with financial institutions to develop foreclosed property.

While President Bill Clinton emphasized that

workers in families with incomes of less than \$180,000 a year were unlikely to pay higher taxes, that is not true for many investors. A variety of measures could wind up costing them money, even if they are not making large gains.

One such change concerns the way that interest on margin accounts at brokerage houses is deducted from taxable income. The change will have the effect of making the deduction less valuable for those whose investment income consists largely of long-term capital gains. Under the new law, to use the deduction, investors will in effect have to agree to have some or all of their capital gains taxed at the higher rates that apply to ordinary income like salaries.

Those with large capital losses will also find reason to moan about the new tax measure. Such losses can generally be used to offset a maximum of \$3,000 a year of ordinary income, but can offset capital gains on a dollar-for-dollar basis with no ceiling. That is not changed.

What is changed is that the new law bars a number of strategies that have enabled investors to realize short-term capital gains with little risk. Those strategies, some of which involve complicated options transactions, effectively converted interest income on borrowed money into capital gains, said Robert Wilens of Lehman Brothers. Not any more.

Provisions of the tax bill deal with so-called "market discount" bonds. These sell below par

value because interest rates have risen, or perhaps because the credit quality of the issuer has declined since the bond came out. There are relatively few such bonds right now, but there are likely to be more around if interest rates begin to rise.

The new law worsens the tax treatment of such bonds, something that could depress their value. But because interest rates are at their lowest level in years, few bonds will be immediately affected.

Under current law, those who buy a market-discount municipal bond, or any discounted corporate or Treasury bond issued before July 18, 1984, have an advantage: their profits on sale or redemption are taxed at the capital gains rate, which is typically lower than rates on ordinary income.

The new measure changes that. With bonds bought after April 30, that part of a gain attributable to amortizing a market discount will be taxed as ordinary income. This means that buyers of municipal bonds or municipal mutual funds may find themselves with some ordinary taxable income after sales.

Many bankrupt companies will lose what has been their most valuable asset — the tax-loss carry-forward that shelters future income. Beginning in 1995, when a lender to a bankrupt company is given stock to replace bonds or other debt, the value of the canceled debt will be taxable income for the bankrupt company.

CURRENCY & INTEREST RATES

Cross Rates									
	Aug. 9	Aug. 8	Aug. 7	Aug. 6	Aug. 5	Aug. 4	Aug. 3	Aug. 2	Aug. 1
Australia	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
France	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Germany	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Italy	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Japan	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Netherlands	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Spain	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sweden	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Switzerland	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
UK	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
US	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

For investment information, read

THE REPORT every Saturday in the IHT.

MARKET DIARY

STOCKS: Prices at Record High

Continued from Page 9

tion this week, including \$16.5 billion of three-year notes Tuesday, \$31.0 billion of 10-year notes Wednesday and \$11.0 billion of 30-year bonds Thursday. The 30-year bonds will not be sold until

N.Y. Stocks

February, as the government switches to semiannual sales from quarterly auctions.

On the stock market, volume was high, with 232 million shares traded on the New York Stock Exchange and 207 million on the Nasdaq.

Advancing shares outnumbered declining by only about a 3-to-2 ratio.

Among smaller shares, the Nasdaq composite index was also trading in record territory.

"The strength in the stock market is feeding off increases in bond prices," said James Solloway, director of research at Argus Research Corp. Stocks have often fallen their due from bonds recently, because low interest rates make stock prices more attractive.

Bonds were rallying because of the real potential for deficit reduction and because the president's economic

measures do little for economic growth, Mr. Solloway said.

Although many analysts had expected the budget measures to pass, and stock prices reflected that sentiment, some of the uncertainty has been removed from the economic scene, Mr. Solloway said.

Eastman Kodak was actively traded and rose 1/4 to 59 1/2. Its board on Friday ousted the company's chairman and chief executive, Kay Whitmore. It was searching for an outsider to replace him.

In Nasdaq trading, Amgen fell 1/2 to 32 1/2 after Lehman Brothers downgraded it and several other health-care issues. Also depressing drug issues was the fact that the emphasis in Washington has shifted from the budget to health care, which has investors worried again about the stocks, analysts said.

Automobile stocks made a strong showing. General Motors rose 1/4 to 49. Ford Motor rose 1/2 to 52 1/2, and Chrysler climbed 1/4 to 43 1/2.

Gold-mining issues were strong, following the price of gold higher. On the Commodity Exchange, October gold was quoted \$6.80 higher, at \$383.30, at the close.

(Bloomberg, Knight-Ridder, Reuters, UPI, AP)

The Dow



NYSE Most Active

Symbol	High	Low	Last	Chg.
IBM	117 1/2	117 1/4	117 1/2	+1/4
Microsoft	54 1/2	54 1/4	54 1/2	+1/4
Apple	42 1/2	42 1/4	42 1/2	+1/4
Oracle	38 1/2	38 1/4	38 1/2	+1/4
Novell	34 1/2	34 1/4	34 1/2	+1/4
Intel	30 1/2	30 1/4	30 1/2	+1/4
Compaq	26 1/2	26 1/4	26 1/2	+1/4
HP	22 1/2	22 1/4	22 1/2	+1/4
Motorola	18 1/2	18 1/4	18 1/2	+1/4
Texas Instruments	14 1/2	14 1/4	14 1/2	+1/4

AMEX Most Active

Symbol	High	Low	Last	Chg.
Goldman Sachs	117 1/2	117 1/4	117 1/2	+1/4
JP Morgan	54 1/2	54 1/4	54 1/2	+1/4
Bank of America	42 1/2	42 1/4	42 1/2	+1/4
Wells Fargo	38 1/2	38 1/4	38 1/2	+1/4
Citigroup	34 1/2	34 1/4	34 1/2	+1/4
First Union	30 1/2	30 1/4	30 1/2	+1/4
Bank One	26 1/2	26 1/4	26 1/2	+1/4
Capital One	22 1/2	22 1/4	22 1/2	+1/4
USAA	18 1/2	18 1/4	18 1/2	+1/4
MetLife	14 1/2	14 1/4	14 1/2	+1/4

NASDAQ Most Active

Symbol	High	Low	Last	Chg.
Amgen	117 1/2	117 1/4	117 1/2	+1/4
Genentech	54 1/2	54 1/4	54 1/2	+1/4
Novartis	42 1/2	42 1/4	42 1/2	+1/4
Roche	38 1/2	38 1/4	38 1/2	+1/4
Schering	34 1/2	34 1/4	34 1/2	+1/4
Abbott	30 1/2	30 1/4	30 1/2	+1/4
Pfizer	26 1/2	26 1/4	26 1/2	+1/4
Merck	22 1/2	22 1/4	22 1/2	+1/4
Eli Lilly	18 1/2	18 1/4	18 1/2	+1/4
Johnson & Johnson	14 1/2	14 1/4	14 1/2	+1/4

AMEX Most Active

Symbol	High	Low	Last	Chg.
Goldman Sachs	117 1/2	117 1/4	117 1/2	+1/4
JP Morgan	54 1/2	54 1/4	54 1/2	+1/4
Bank of America	42 1/2	42 1/4	42 1/2	+1/4
Wells Fargo	38 1/2	38 1/4	38 1/2	+1/4
Citigroup	34 1/2	34 1/4	34 1/2	+1/4
First Union	30 1/2	30 1/4	30 1/2	+1/4
Bank One	26 1/2	26 1/4	26 1/2	+1/4
Capital One	22 1/2	22 1/4	22 1/2	+1/4
USAA	18 1/2	18 1/4	18 1/2	+1/4
MetLife	14 1/2	14 1/4	14 1/2	+1/4

NASDAQ Most Active

Symbol	High	Low	Last	Chg.
Amgen	117 1/2	117 1/4	117 1/2	+1/4
Genentech	54 1/2	54 1/4	54 1/2	+1/4
Novartis	42 1/2	42 1/4	42 1/2	+1/4
Roche	38 1/2	38 1/4	38 1/2	+1/4
Schering	34 1/2	34 1/4	34 1/2	+1/4
Abbott	30 1/2	30 1/4	30 1/2	+1/4
Pfizer	26 1/2	26 1/4	26 1/2	+1/4
Merck	22 1/2	22 1/4	22 1/2	+1/4
Eli Lilly	18 1/2	18 1/4	18 1/2	+1/4
Johnson & Johnson	14 1/2	14 1/4	14 1/2	+1/4

Dow Jones Averages

Index	High	Low	Last	Chg.
Dow Jones Industrial	117 1/2	117 1/4	117 1/2	+1/4
S&P 500	54 1/2	54 1/4	54 1/2	+1/4
Nasdaq Composite	42 1/2	42 1/4	42 1/2	+1/4
AMEX Composite	38 1/2	38 1/4	38 1/2	+1/4
NYSE Composite	34 1/2	34 1/4	34 1/2	+1/4
First Union	30 1/2	30 1/4	30 1/2	+1/4
Bank One	26 1/2	26 1/4	26 1/2	+1/4
Capital One	22 1/2	22 1/4	22 1/2	+1/4
USAA	18 1/2	18 1/4	18 1/2	+1/4
MetLife	14 1/2	14 1/4	14 1/2	+1/4

Standard & Poor's Indexes

Index	High	Low	Last	Chg.
Industrials	54 1/2	54 1/4	54 1/2	+1/4
Utilities	42 1/2	42 1/4	42 1/2	+1/4
Transportation	38 1/2	38 1/4	38 1/2	+1/4
Finance	34 1/2	34 1/4	34 1/2	+1/4
Technology	30 1/2	30 1/4	30 1/2	+1/4
Health Care	26 1/2	26 1/4	26 1/2	+1/4
Consumer Goods	22 1/2	22 1/4	22 1/2	+1/4
Energy	18 1/2	18 1/4	18 1/2	+1/4
Real Estate	14 1/2	14 1/4	14 1/2	+1/4
Telecommunications	10 1/2	10 1/4	10 1/2	+1/4

NYSE Indexes

Index	High	Low	Last	Chg.
Composite	117 1/2	117 1/4	117 1/2	+1/4
Industrials	54 1/2	54 1/4	54 1/2	+1/4
Utilities	42 1/2	42 1/4	42 1/2	+1/4
Transportation	38 1/2	38 1/4	38 1/2	+1/4
Finance	34 1/2	34 1/4	34 1/2	+1/4
Technology	30 1/2	30 1/4	30 1/2	+1/4
Health Care	26 1/2	26 1/4	26 1/2	+1/4
Consumer Goods	22 1/2	22 1/4	22 1/2	+1/4
Energy	18 1/2	18 1/4	18 1/2	+1/4
Real Estate	14 1/2	14 1/4	14 1/2	+1/4

NASDAQ Indexes

Index	High	Low	Last	Chg.
Composite	42 1/2	42 1/4	42 1/2	+1/4
Industrials	38 1/2	38 1/4	38 1/2	+1/4
Utilities	34 1/2	34 1/4	34 1/2	+1/4
Transportation	30 1/2	30 1/4	30 1/2	+1/4
Finance	26 1/2	26 1/4	26 1/2	+1/4
Technology	22 1/2	22 1/4	22 1/2	+1/4
Health Care	18 1/2	18 1/4	18 1/2	+1/4
Consumer Goods	14 1/2	14 1/4	14 1/2	+1/4
Energy	10 1/2	10 1/4	10 1/2	+1/4
Real Estate	6 1/2	6 1/4	6 1/2	+1/4

AMEX Stock Index

Index	High	Low	Last	Chg.
Composite	38 1/2	38 1/4	38 1/2	+1/4
Industrials	34 1/2	34 1/4	34 1/2	+1/4
Utilities	30 1/2	30 1/4	30 1/2	+1/4
Transportation	26 1/2	26 1/4	26 1/2	+1/4
Finance	22 1/2	22 1/4	22 1/2	+1/4
Technology	18 1/2	18 1/4	18 1/2	+1/4
Health Care	14 1/2	14 1/4	14 1/2	+1/4
Consumer Goods	10 1/2	10 1/4	10 1/2	+1/4
Energy	6 1/2	6 1/4	6 1/2	+1/4
Real Estate	2 1/2	2 1/4	2 1/2	+1/4

Dow Jones Bond Averages

Index	High	Low	Last	Chg.
30 Year	117 1/2	117 1/4	117 1/2	+1/4
10 Year	54 1/2	54 1/4	54 1/2	+1/4
3 Month	42 1/2	42 1/4	42 1/2	+1/4
1 Month	38 1/2	38 1/4	38 1/2	+1/4
6 Month	34 1/2	34 1/4	34 1/2	+1/4
9 Month	30 1/2	30 1/4	30 1/2	+1/4
12 Month	26 1/2	26 1/4	26 1/2	+1/4
15 Month	22 1/2	22 1/4	22 1/2	+1/4
18 Month	18 1/2	18 1/4	18 1/2	+1/4
21 Month	14 1/2	14 1/4	14 1/2	+1/4

Market Sales

Index	High	Low	Last	Chg.
NYSE 100 Index Options	117 1/2	117 1/4	117 1/2	+1/4
AMEX 100 Index Options	54 1/2	54 1/4	54 1/2	+1/4
NASDAQ 100 Index Options	42 1/2	42 1/4	42 1/2	+1/4
AMEX 100 Index Options	38 1/2	38 1/4	38 1/2	+1/4
NYSE 100 Index Options	34 1/2	34 1/4	34 1/2	+1/4
AMEX 100 Index Options	30 1/2	30 1/4	30 1/2	+1/4
NASDAQ 100 Index Options	26 1/2	26 1/4	26 1/2	+1/4
AMEX 100 Index Options	22 1/2	22 1/4	22 1/2	+1/4
NYSE 100 Index Options	18 1/2	18 1/4	18 1/2	+1/4
AMEX 100 Index Options	14 1/2	14 1/4	14 1/2	+1/4

N.Y.S.E. Odd-Lot Trading

Index	High	Low	Last	Chg.
NYSE 100 Index Options	117 1/2	117 1/4	117 1/2	+1/4
AMEX 100 Index Options	54 1/2	54 1/4	54 1/2	+1/4
NASDAQ 100 Index Options	42 1/2	42 1/4	42 1/2	+1/4
AMEX 100 Index Options	38 1/2	38 1/4	38 1/2	+1/4
NYSE 100 Index Options	34 1/2	34 1/4	34 1/2	+1/4
AMEX 100 Index Options	30 1/2	30 1/4	30 1/2	+1/4
NASDAQ 100 Index Options	26 1/2	26 1/4	26 1/2	+1/4
AMEX 100 Index Options	22 1/2	22 1/4	22 1/2	+1/4
NYSE 100 Index Options	18 1/2	18 1/4	18 1/2	+1/4
AMEX 100 Index Options	14 1/2	14 1/4	14 1/2	+1/4

S&P 100 Index Options

Index	High	Low	Last	Chg.
NYSE 100 Index Options	117 1/2	117 1/4	117 1/2	+1/4
AMEX 100 Index Options	54 1/2	54 1/4	54 1/2	+1/4
NASDAQ 100 Index Options	42 1/2	42 1/4	42 1/2	+1/4
AMEX 100 Index Options	38 1/2	38 1/4	38 1/2	+1/4
NYSE 100 Index Options	34 1/2	34 1/4	34 1/2	+1/4
AMEX 100 Index Options	30 1/2	30 1/4	30 1/2	+1/4
NASDAQ 100 Index Options	26 1/2	26 1/4	26 1/2	+1/4
AMEX 100 Index Options	22 1/2	22 1/4	22 1/2	+1/4
NYSE 100 Index Options	18 1/2	18 1/4	18 1/2	+1/4
AMEX 100 Index Options	14 1/2	14 1/4	14 1/2	+1/4

AMEX Diary

Index	High	Low	Last	Chg.
NYSE 100 Index Options	117 1/2	117 1/4	117 1/2	+1/4
AMEX 100 Index Options	54 1/2	54 1/4	54 1/2	+1/4
NASDAQ 100 Index Options	42 1/2	42 1/4	42 1/2	+1/4
AMEX 100 Index Options	38 1/2	38 1/4	38 1/2	+1/4
NYSE 100 Index Options	34 1/2	34 1/4	34 1/2	+1/4
AMEX 100 Index Options	30 1/2	30 1/4	30 1/2	+1/4
NASDAQ 100 Index Options	26 1/2	26 1/4	26 1/2	+1/4
AMEX 100 Index Options	22 1/2	22 1/4	22 1/2	+1/4
NYSE 100 Index Options	18 1/2	18 1/4	18 1/2	+1/4
AMEX 100 Index Options	14 1/2	14 1/4	14 1/2	+1/4

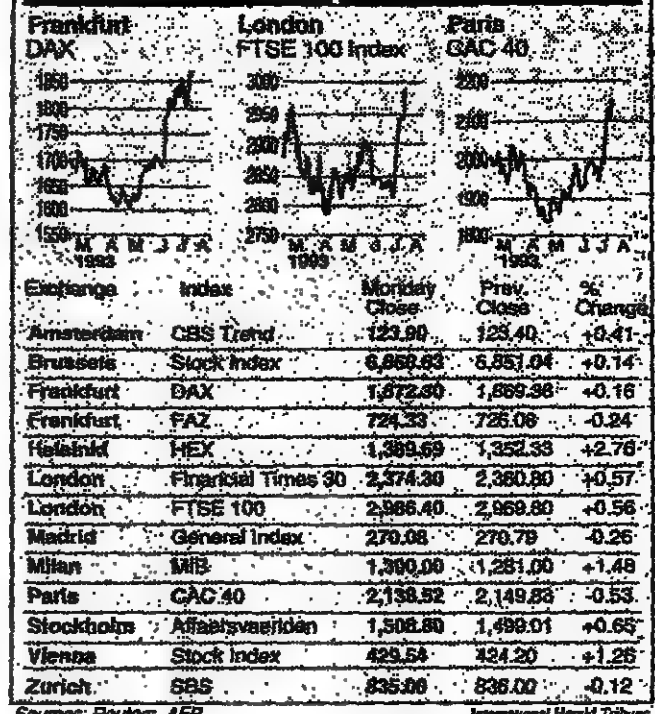
NASDAQ Diary

Index	High	Low	Last	Chg.
NYSE 100 Index Options	117 1/2	117 1/4	117 1/2	+1/4
AMEX 100 Index Options	54 1/2	54 1/4	54 1/2	+1/4
NASDAQ 100 Index Options	42 1/2	42 1/4	42 1/2	+1/4
AMEX 100 Index Options	38 1/2	38 1/4	38 1/2	+1/4
NYSE 100 Index Options	34 1/2	34 1/4	34 1/2	+1/4
AMEX 100 Index Options	30 1/2	30 1/4	30 1/2	+1/4
NASDAQ 100 Index Options	26 1/2	26 1/4	26 1/2	+1/4
AMEX 100 Index Options	22 1/2	22 1/4	22 1/2	+1/4
NYSE 100 Index Options	18 1/2	18 1/4	18 1/2	+1/4
AMEX 100 Index Options	14 1/2	14 1/4	14 1/2	+1/4

FRANC: Paris Tries a Rate Cut</

Lufthansa's Choices Dwindle as Airlines Talk Cooperation

Investor's Europe



- The French government said it had appointed Lazard Frères & Co. to advise it on its planned sale of *Banque Nationale de Paris* and named *Banque Indosuez*, the merchant-banking arm of *Compagnie de Suez SA*, to advise it on the sale of *Rhône-Poulenc SA*.
- The *European Bank for Reconstruction and Development* said it would announce the name of its new president on Aug. 19.
- *Petrofina SA*, the Belgian oil company, said first-half net income had fallen 8 percent, to 3.83 billion Belgian francs (\$105.5 million), and cited weak economies in Europe and the United States.
- The *Woolwich Building Society* said it posted a profit of \$88 million (\$31.5 million) in the first half, more than double the £36 million it earned a year ago. Mortgage lending rose to £1.6 billion from £1.2 billion.
- France does not have plans to issue foreign-currency bonds to help replenish its foreign reserves, a Treasury official said. But he did not rule out an issue in European currency units.
- Greece's phone company was struck by workers who began a week-long action to protest a government bill to sell 49 percent of the company.
- *Ferruzzi Finanziaria SPA*'s creditor banks will not convert loans to the group into equity, a *Ferruzzi* official said.
- *Assurances Générales de France* said revenue in the first half rose 7.1 percent, to 32.35 billion francs (\$5.43 billion), as life-insurance revenue in France rose 13.1 percent.

Investor AB Shares Sag 4.8%

STOCKHOLM—Shares in Investor AB, a leading Swedish investment company, fell 4.5 percent on the Stockholm stock exchange after the crash of a military aircraft built by one of its units.

The jet, built by Saab Military Aircraft, crashed Sunday after the pilot lost control and ejected at an air show in central Stockholm.

Investor shares fell 7 kronor to 139 kronor (\$17.33) in heavy volume on fears that the accident, the second to hit the Jas 39 Gripen model, could threaten the future of the aircraft, one of the company's major projects.

Official accident human factors investigations are under way, Swedish Defense Minister Anders Björck said Monday that other Jas 39 Gripen jets would be grounded until the accident's cause was determined.

In the United States, meanwhile, the Aluminum Association, an industry group, called the EC move a "misguided action" that "would further compound the disruption in the global aluminum market."

"What is needed," said the association in a letter to the U.S. trade representative, Mickey Kantor, "is not protectionism, but the establishment by government of rules of transition which will enable CIS aluminum producers to adapt to the laws of economics, the established world trading system and to implement modern environmental health and safety improvements."

The example of Hewlett-Packard, which receives 40 percent from European revenues, demonstrates both some of the pitfalls awaiting companies heavily committed to Europe and some of the best ways of avoiding them. While Hewlett-Packard's worldwide employment has been shrinking slightly, it has actually increased jobs in Europe by a modest amount in recent years: to 20,000 workers in more than 20 countries. But that kind of recent success wasn't easy.

Consider the tortuous route the company followed before finally finding a foothold in the fiercely competitive personal computer industry. Palo Alto-based Hewlett-Packard, founded in 1939 and long established in what was to become Silicon Valley, failed in its first two attempts to break into the personal computer market. In the early 1980s, driven by engineering advances rather than by market forces, HP began producing its own already-built personal computer until after IBM launched its own product, which quickly emerged as the industry standard.

[illegible][illegible]

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NYSE

Monday's Closing
Tables include the nationwide price up to the closing on Wall Street and do not reflect late trading elsewhere. Via The Associated Press

(Continued)

12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock	Div	Yld	PE	1993
12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock	Div	Yld	PE	1993
12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock	Div	Yld	PE	1993
12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock	Div	Yld	PE	1993
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12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock				

12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock	Div	Yld	PE	1993
12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock	Div	Yld	PE	1993
12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock	Div	Yld	PE	1993

BA: Pioneering the New Empire of Minority Stakes Throughout the World

Continued from Page 9

analyst at Swiss Bank Corp. in London.

The glaring weakness in BA's strategy is that, of necessity, it rests on the treacherously uncertain footing of minority stakes rather than outright control.

Sir Colin makes no secret of the fact that he would prefer a more powerful lever, but those ambitions in the United States, Australia and indeed other markets are stymied by local restrictions on foreign ownership of airlines.

BA's stake in USair, for instance, stands at 24.6 percent, a stake that is scheduled to rise via

two future investment tranches to over 30 percent. The final tranche would give BA what it has long sought, the power to veto major board decisions. The absence of such power is widely seen as having cost KLM Royal Dutch Airlines millions in its minority investment in Northwest Airlines.

However, industry observers think it may be years, if ever, before Washington relents and allows foreign carriers effective control over domestic carriers.

"I think that BA has gotten too big, too quickly," said Ian Remondou, an analyst with

Yamaichi Securities. "They have had a major cash outflow into investments that are out of their control."

Merely monitoring their new holdings, much less pulling them together into a cohesive whole, also eats deeply into the daily diaries of BA executives. Coordinating groups and sub-groups have been set up and endless meetings must be attended. Sir Colin, for instance, already plans to attend all six USair board meetings every year plus a couple of the four at

Qantas.

—ERIK IPSEN

INTERNATIONAL FUNDS

Quotations supplied by Invest Net. Not available for funds listed with the exception of those quoted based on issue prices.

The following table indicates frequency of quotations supplied: (a) daily; (b) weekly; (c) monthly; (d) quarterly; (e) semi-annually; (f) annually.

12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock	Div	Yld	PE	1993
12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock	Div	Yld	PE	1993
12 Month	High	Low	Stock	Div	Yld	PE	1993	High	Low	Stock	Div	Yld	PE	1993

AP - Associated Press; AD - Associated Press; AF - Associated Press; AG - Associated Press; AH - Associated Press; AI - Associated Press; AJ - Associated Press; AK - Associated Press; AL - Associated Press; AM - Associated Press; AN - Associated Press; AO - Associated Press; AP - Associated Press; AQ - Associated Press; AR - Associated Press; AS - Associated Press; AT - Associated Press; AU - Associated Press; AV - Associated Press; AW - Associated Press; AX - Associated Press; AY - Associated Press; AZ - Associated Press; BA - Associated Press; BB - Associated Press; BC - Associated Press; BD - Associated Press; BE - Associated Press; BF - Associated Press; BG - Associated Press; BH - Associated Press; BI - Associated Press; BJ - Associated Press; BK - Associated Press; BL - Associated Press; BM - Associated Press; BN - Associated Press; BO - Associated Press; BP - Associated Press; BQ - Associated Press; BR - Associated Press; BS - Associated Press; BT - Associated Press; BU - Associated Press; BV - Associated Press; BW - Associated Press; BX - Associated Press; BY - Associated Press; BZ - Associated Press; CA - Associated Press; CB - Associated Press; CC - Associated Press; CD - Associated Press; CE - Associated Press; CF - Associated Press; CG - Associated Press; CH - Associated Press; CI - Associated Press; CJ - Associated Press; CK - Associated Press; CL - Associated Press; CM - Associated Press; CN - Associated Press; CO - Associated Press; CP - Associated Press; CQ - Associated Press; CR - Associated Press; CS - Associated Press; CT - Associated Press; CU - Associated Press; CV - Associated Press; CW - Associated Press; CX - Associated Press; CY - Associated Press; CZ - Associated Press; DA - Associated Press; DB - Associated Press; DC - Associated Press; DD - Associated Press; DE - Associated Press; DF - Associated Press; DG - Associated Press; DH - Associated Press; DI - Associated Press; DJ - Associated Press; DK - Associated Press; DL - Associated Press; DM - Associated Press; DN - Associated Press; DO - Associated Press; DP - Associated Press; DQ - Associated Press; DR - Associated Press; DS - Associated Press; DT - Associated Press; DU - Associated Press; DV - Associated Press; DW - Associated Press; DX - Associated Press; DY - Associated Press; DZ - Associated Press; EA - Associated Press; EB - Associated Press; EC - Associated Press; ED - Associated Press; EE - Associated Press; EF - Associated Press; EG - Associated Press; EH - Associated Press; EI - Associated Press; EJ - Associated Press; EK - Associated Press; EL - Associated Press; EM - Associated Press; EN - Associated Press; EO - Associated Press; EP - Associated Press; EQ - Associated Press; ER - Associated Press; ES - Associated Press; ET - Associated Press; EU - Associated Press; EV - Associated Press; EW - Associated Press; EX - Associated Press; EY - Associated Press; EZ - Associated Press; FA - Associated Press; FB - Associated Press; FC - Associated Press; FD - Associated Press; FE - Associated Press; FF - Associated Press; FG - Associated Press; FH - Associated Press; FI - Associated Press; FJ - Associated Press; FK - Associated Press; FL - Associated Press; FM - Associated Press; FN - Associated Press; FO - Associated Press; FP - Associated Press; FQ - Associated Press; FR - Associated Press; FS - Associated Press; FT - Associated Press; FU - Associated Press; FV - Associated Press; FW - Associated Press; FX - Associated Press; FY - Associated Press; FZ - Associated Press; GA - Associated Press; GB - Associated Press; GC - Associated Press; GD - Associated Press; GE - Associated Press; GF - Associated Press; GH - Associated Press; GI - Associated Press; GJ - Associated Press; GK - Associated Press; GL - Associated Press; GM - Associated Press; GN - Associated Press; GO - Associated Press; GP - Associated Press; GQ - Associated Press; GR - Associated Press; GS - Associated Press; GT - Associated Press; GU - Associated Press; GV - Associated Press; GW - Associated Press; GX - Associated Press; GY - Associated Press; GZ - Associated Press; HA - Associated Press; HB - Associated Press; HC - Associated Press; HD - Associated Press; HE - Associated Press; HF - Associated Press; HG - Associated Press; HH - Associated Press; HI - Associated Press; HJ - Associated Press; HK - Associated Press; HL - Associated Press; HM - Associated Press; HN - Associated Press; HO - Associated Press; HP - Associated Press; HQ - Associated Press; HR - Associated Press; HS - Associated Press; HT - Associated Press; HU - Associated Press; HV - Associated Press; HW - Associated Press; HX - Associated Press; HY - Associated Press; HZ - Associated Press; IA - Associated Press; IB - Associated Press; IC - Associated Press; ID - Associated Press; IE - Associated Press; IF - Associated Press; IG - Associated Press; IH - Associated Press; II - Associated Press; IJ - Associated Press; IK - Associated Press; IL - Associated Press; IM - Associated Press; IN - Associated Press; IO - Associated Press; IP - Associated Press; IQ - Associated Press; IR - Associated Press; IS - Associated Press; IT - Associated Press; IU - Associated Press; IV - Associated Press; IW - Associated Press; IX - Associated Press; IY - Associated Press; IZ - Associated Press; JA - Associated Press; JB - Associated Press; JC - Associated Press; JD - Associated Press; JE - Associated Press; JF - Associated Press; JG - Associated Press; JH - Associated Press; JI - Associated Press; JJ - Associated Press; JK - Associated Press; JL - Associated Press; JM - Associated Press; JN - Associated Press; JO - Associated Press; JP - Associated Press; JQ - Associated Press; JR - Associated Press; JS - Associated Press; JT - Associated Press; JU - Associated Press; JV - Associated Press; JW - Associated Press; JX - Associated Press; JY - Associated Press; JZ - Associated Press; KA - Associated Press; KB - Associated Press; KC - Associated Press; KD - Associated Press; KE - Associated Press; KF - Associated Press; KH - Associated Press; KI - Associated Press; KJ - Associated Press; KK - Associated Press; KL - Associated Press; KM - Associated Press; KN - Associated Press; KO - Associated Press; KP - Associated Press; KQ - Associated Press; KR - Associated Press; KS - Associated Press; KT - Associated Press; KU - Associated Press; KV - Associated Press; KW - Associated Press; KX - Associated Press; KY - Associated Press; KZ - Associated Press; LA - Associated Press; LB - Associated Press; LC - Associated Press; LD - Associated Press; LE - Associated Press; LF - Associated Press; LG - Associated Press; LH - Associated Press; LI - Associated Press; LJ - Associated Press; LK - Associated Press; LL - Associated Press; LM - Associated Press; LN - Associated Press; LO - Associated Press; LP - Associated Press; LQ - Associated Press; LR - Associated Press; LS - Associated Press; LT - Associated Press; LU - Associated Press; LV - Associated Press; LW - Associated Press; LX - Associated Press; LY - Associated Press; LZ - Associated Press; MA - Associated Press; MB - Associated Press; MC - Associated Press; MD - Associated Press; ME - Associated Press; MF - Associated Press; MG - Associated Press; MH - Associated Press; MI - Associated Press; MJ - Associated Press; MK - Associated Press; ML - Associated Press; MM - Associated Press; MN - Associated Press; MO - Associated Press; MP - Associated Press; MQ - Associated Press; MR - Associated Press; MS - Associated Press; MT - Associated Press; MU - Associated Press; MV - Associated Press; MW - Associated Press; MX - Associated Press; MY - Associated Press; MZ - Associated Press; NA - Associated Press; NB - Associated Press; NC - Associated Press; ND - Associated Press; NE - Associated Press; NF - Associated Press; NG - Associated Press; NH - Associated Press; NI - Associated Press; NJ - Associated Press; NK - Associated Press; NL - Associated Press; NM - Associated Press; NN - Associated Press; NO - Associated Press; NP - Associated Press; NQ - Associated Press; NR - Associated Press; NS - Associated Press; NT - Associated Press; NU - Associated Press; NV - Associated Press; NW - Associated Press; NX - Associated Press; NY - Associated Press; NZ - Associated Press; OA - Associated Press; OB - Associated Press; OC - Associated Press; OD - Associated Press; OE - Associated Press; OF - Associated Press; OG - Associated Press; OH - Associated Press; OI - Associated Press; OJ - Associated Press; OK - Associated Press; OL - Associated Press; OM - Associated Press; ON - Associated Press; OO - Associated Press; OP - Associated Press; OQ - Associated Press; OR - Associated Press; OS - Associated Press; OT - Associated Press; OU - Associated Press; OV - Associated Press; OW - Associated Press; OX - Associated Press; OY - Associated Press; OZ - Associated Press; PA - Associated Press; PB - Associated Press; PC - Associated Press; PD - Associated Press; PE - Associated Press; PF - Associated Press; PG - Associated Press; PH - Associated Press; PI - Associated Press; PJ - Associated Press; PK - Associated Press; PL - Associated Press; PM - Associated Press; PN - Associated Press; PO - Associated Press; PP - Associated Press; PQ - Associated Press; PR - Associated Press; PS - Associated Press; PT - Associated Press; PU - Associated Press; PV - Associated Press; PW - Associated Press; PX - Associated Press; PY - Associated Press; PZ - Associated Press; QA - Associated Press; QB - Associated Press; QC - Associated Press; QD - Associated Press; QE - Associated Press; QF - Associated Press; QH - Associated Press; QI - Associated Press; QJ - Associated Press; QK - Associated Press; QL - Associated Press; QM - Associated Press; QN - Associated Press; QO - Associated Press; QP - Associated Press; QQ - Associated Press; QR - Associated Press; QS - Associated Press; QT - Associated Press; QU - Associated Press; QV - Associated Press; QW - Associated Press; QX - Associated Press; QY - Associated Press; QZ - Associated Press; RA - Associated Press; RB - Associated Press; RC - Associated Press; RD - Associated Press; 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SW - Associated Press; SX - Associated Press; SY - Associated Press; SZ - Associated Press; TA - Associated Press; TB - Associated Press; TC - Associated Press; TD - Associated Press; TE - Associated Press; TF - Associated Press; TG - Associated Press; TH - Associated Press; TI - Associated Press; TJ - Associated Press; TK - Associated Press; TL - Associated Press; TM - Associated Press; TN - Associated Press; TO - Associated Press; TP - Associated Press; TQ - Associated Press; TR - Associated Press; TS - Associated Press; TU - Associated Press; TV - Associated Press; TW - Associated Press; TX - Associated Press; TY - Associated Press; TZ - Associated Press; UA - Associated Press; UB - Associated Press; UC - Associated Press; UD - Associated Press; UE - Associated Press; UF - Associated Press; UG - Associated Press; UH - Associated Press; UI - Associated Press; UJ - Associated Press; UK - Associated Press; UL - Associated Press; UM - Associated Press; UN - Associated Press; UO - Associated Press; UP - Associated Press; UQ - Associated Press; UR - Associated Press; US - Associated Press; UT - Associated Press; UV - Associated Press; UW - Associated Press; UX - Associated Press; UY - Associated Press; UZ - Associated Press; VA - Associated Press; VB - Associated Press; VC - Associated Press; VD - Associated Press; VE - Associated Press; VF - Associated Press; VG - Associated Press; VH - Associated Press; VI - Associated Press; VJ - Associated Press; VK - Associated Press; VL - Associated Press; VM - Associated Press; VN - Associated Press; VO - Associated Press; VP - Associated Press; VQ - Associated Press; VR - Associated Press; VS - Associated Press; VT - Associated Press; VU - Associated Press; VV - Associated Press; VW - Associated Press; VX - Associated Press; VY - Associated Press; VZ - Associated Press; WA - Associated Press; WB - Associated Press; WC - Associated Press; WD - Associated Press; WE - Associated Press; WF - Associated Press; WG - Associated Press; WH - Associated Press; 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ART BUCHWALD

The Price of Politics

WASHINGTON — More women are being appointed to the government than ever before. On paper, working for the present administration is a great idea, but it has its drawbacks, particularly if you are a lady and come from the old school of dating.

The problem is that anyone who works for the federal government can be entertained only to the tune of \$25 once a year. With restrictions like this, it is obvious that the Washington playing field is uneven for women.

Deborah Kleiman of the Environmental and Shallow Water Deep Sea Fishing Department told me how serious the restriction is.

"I met this guy Tom from the Washington Post. He is the paper's swordfish editor, so we had a lot in common. He took me to lunch, and when the check came he grabbed it."

"I didn't think anything of it until a week later when he had me out to dinner again. As soon as the bill came, he just stared at it like it was a dead snail."

"I don't know how to tell you this," he said to me, "but you've used up your entertainment allowance with me for the year. From now on you have to fly solo."

"You mean you're not going to

take me to dinner anymore?" I asked him.

"He answered, 'Or the movies or a rock concert. The only way we can see each other is if we go Dutch.'"

"There is something wrong with this," I told him. "You want to take me out, but I have to pay for it. I'm not that much into women's liberation."

"He said, 'I can't help it. The Clinton administration has its rules, and I am protecting you by making sure that you honor them. Suppose I went over my \$25 limit for entertaining you. Do you know what the Wall Street Journal would do with that? The headline would say: Clinton Appointee Breaks Ethics Limit by Ordering Soft Shell Crabs at Duke Zeibert's, White House Mutt. As Usual, on What It Intends to Do.'"

I agreed. "That's exactly what the Wall Street Journal would do to about Tom?"

Deborah replied, "I had no choice. I started dating other guys. When I used up their \$25, I dumped them and found somebody else. I'll tell you something, though: these entertainment restrictions, it's hard to keep a lasting relationship."

"Well, that's the price you have to pay for a government appointment," I told her.

"I think the men in Washington are just taking advantage of a situation. What I resent the most is when they tell me how much my share of the Caesar salad is. I want to serve my country. At the same time, how do I know if a guy likes me or not if he won't pay for my dinner?"

"Perhaps the Clinton people don't want you going out with guys — particularly those who are only interested in buying you meals in exchange for getting your support on fishing matters."

"I can't be bought with a plate of smoked salmon!" Deborah exclaimed.

"You might not — but there are plenty of women in government who could be if it weren't for the ethics rules," I said.

Deborah asked, "By the way, are you buying me this meal?"

"Are you crazy? Your 25 bucks were up last Thursday."

Secrets of Filming 'The Secret Garden'

By Matt Wolf

LONDON — He gave shape to 80 years of Indian history in "Gandhi" and fashioned the elegant decor in "Dangerous Liaisons." For each he won an Academy Award. But in his new film, the production designer Stuart Craig faced a particularly difficult task — finding ways to make "The Secret Garden" fresh.

The source material, of course, is Frances Hodgson Burnett's beloved story of an orphan whose discovery of a hidden and neglected garden fills her desolate world with life. Published in 1911, the book has spawned adaptations as varied as a Margaret O'Brien film in 1949, a BBC children's special in 1975 and a 1991 Broadway musical.

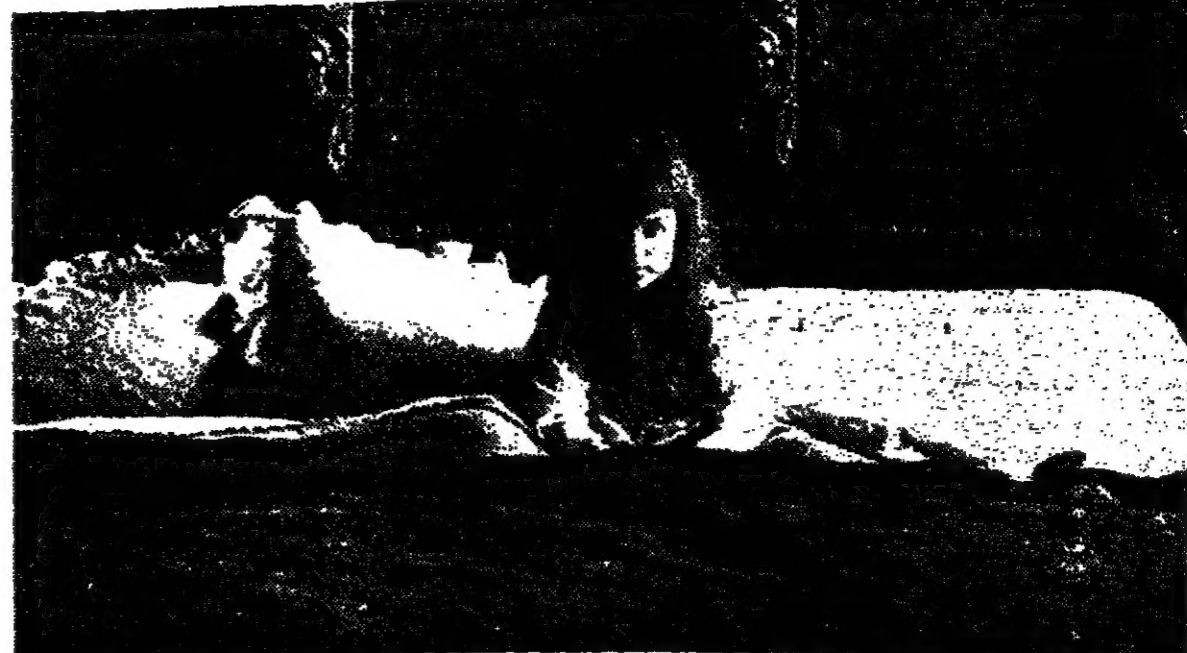
The current version, from Francis Ford Coppola's film company American Zoetrope, was directed by the Polish filmmaker Agnieszka Holland ("Europa, Europa") with a cast including Maggie Smith as the housekeeper and a group of young unknowns. Craig, accordingly, knew that the secret garden itself — indeed, the entire look of the movie — must function as its star: this was a film as much about plants as people, about physical location as a gauge of spiritual growth.

"It's kind of a fact that the most difficult thing to pull off was the garden," the 51-year-old designer said recently at Shepperton Studios, just west of London, where he is working on Stephen Frears' new film, "Mary Reilly." "My fear is that it becomes the set piece and must inevitably disappoint. That became the challenge."

And not just the garden but its antithesis: Misselthwaite Hall, the Yorkshire mansion where Mary Lennox (Kate Maberly) is delivered after the death of her parents in India. Labyrinthine and airless, the house's Gothic corridors signal the disease embodied in Mary's ailing cousin, Colin (Heydon Prowse). Mary's attachment to the garden proves restorative as she moves between the brooding vastness of the mansion and the sickly floral enclosure in need of care and kindness.

The film's worlds are defined in opposition: The house and its surrounding moors are mysterious and oppressive; the garden, ultimately, becomes radiant and clear. With its prowling mastiffs bounding out of a constant shroud of mist, the Misselthwaite landscape suggests Brontë territory turned up a Gothic notch. Roaming the halls, Mary chances on one forbidden room after another.

Craig deliberately exaggerated the physical context so that Misselthwaite would seem as suffocating as the garden was life-enhancing. "There was a certainty," he recalled, "that the temperature of the



Kate Maberly as Mary Lennox in "The Secret Garden": Brontë territory turned up a notch.

whole thing had to be raised" to film such "a delicate touch."

Craig said that Holland tried to avoid anything that might seem visually twee. "She was very aware of not delivering that Edwardian England we're all so familiar with," he said. "Her antennae were really twitching and smelling that out."

The aim was to resist a picture-postcard quality in favor of a heightened reality. "This is a story about something very real," Holland said. "Yorkshire is Yorkshire; the garden is a garden. You want something symbolic without becoming too theatrical."

The goal was an unsentimental re-imagining of potentially dew-drenched material, and for that the filmmakers chose Pinewood Studios, north of London. "I needed strong, simple shapes," Craig said, "and the only way to achieve that was to build a set."

He constructed his secret garden within an existing garden on one edge of the Pinewood complex, relying on Ron Whittle, a nursery owner, to provide plants in varying states of unruliness and wondrousness.

"We wanted summer and winter all in the same 10-week period," Craig said, remembering the fate of a "slightly neurotic" chestnut tree. "We shot the summer scenes first, then stripped the leaves off it and shot the winter scenes on this poor bare tree, which was very confused about

where it was." Subsequent to filming, he recalled, "The tree put out another batch of leaves; I was rather glad to see the thing was alive."

Whittle, speaking from his nursery in Ross-on-Wye, Herefordshire, said 17,200 pots of annuals and grasses were used in the film. Choices like larkspur, love-in-the-mist and asters were made, Whittle said, "because they would have appealed to children." There were about 1,200 perennials and 4,000 wild geraniums, foxgloves and the like, as well as artificial ivy mixed with the real thing. Five hundred live roses were supplemented, he said, with thousands of artificial ones.

Bracken, a weedy fern, was put in formaldehyde and killed so that the live ferns for summer scenes could be replaced with dead ones needed for winter. ("I avoid killing things unnecessarily," Whittle made clear.)

Due to a mixture of uncooperative weather and delays in filming, Whittle spent about \$180,000 creating the garden.

Craig said a "handsome" amount of the \$18 million budget of "The Secret Garden," which opens in the U.S. this week, went toward the production design. Research was limited to books on some of "the more architectural, more structured French gardens," he added, but even that was kept to a minimum. "I'm not sure we got the idea from any visual reference. Part

of the metaphor anyway is that you want it to be wild; the house is a prison, so you want to escape into the wilderness."

Recreating Misselthwaite Hall had its own challenges. From sleeping quarters to suits of armor, while both children's enormous beds look like antiques, they were, in fact, built for the movie.

Roy Button, the line producer and now managing director of Warner Brothers U.K., said that what appears on film as Misselthwaite Hall is an amalgam of 18 locations. Exterior filming took place at three sites — Fountains Abbey, a 12th-century National Trust property in north Yorkshire that once belonged to Henry VIII; nearby Allerton Hall, a privately owned neo-Gothic stately home; and Luton Hoo, an 18th-century Robert Adam house in Bedfordshire, north of London.

The interior of Misselthwaite used a similar potpourri of locations. The kitchen was, in fact, an old classroom at Eton College. With its great Jacobean fireplace, a room off the master's common room at Haworth School doubled as the study of Lord Craven (John Lynch), the master of Misselthwaite and Mary's uncle. And that character's climactic emotional outburst was shot on a marble staircase at the school.

Matt Wolf, an American theater critic and journalist based in London, wrote this for The New York Times.

PEOPLE

Quayle to Take a Crack At Working a Real Job

Don Quayle says he's going to take a shot at working for a living — at least until he decides whether to run for president. "I've been talking about the free enterprise system and entrepreneurship for 16 years in public life, and now I'm going to go out and try a little of it," Quayle told the Indianapolis Star. The former vice president will head an Indianapolis-based financial services company and will be the company's spokesman. "I'm going to speak up and speak up," he said.

The Indianapolis Star said the world for Madison. More than \$2,000 tickets for her Madison concert were sold Monday in just 80 minutes, prompting promoters to schedule a second show. Madonna will appear there on Nov. 26 and 27. In Mexico City, 30,000 tickets were sold out in just six hours for her Nov. 10 concert there, again prompting a second concert Nov. 12.

The soprano Montserrat Caballé, is out of the hospital, but her doctors in Barcelona told her to show up. Caballé, 60, was hospitalized last week with a minor heart problem. "And another celebrity might be out of the hospital soon. Doctors in Rimini, Italy, said Federico Fellini, 73, may be able to leave the hospital later this week. He was partially paralyzed by a stroke last week.

Bruce Lee's reading glasses sold for \$6,000, his Hong Kong driver's license \$8,000, and a handwritten note to himself in which he predicted he would become a superstar \$39,000 at a Beverly Hills auction.

Best Reynolds has been telling his side of the story to the National Enquirer. Now his wife Lou Anderson is telling hers — to Good Housekeeping magazine. She says their five-year marriage is definitely over, but as for why he sought the divorce, she says, "I didn't have a clue. I still don't." She adds, "But's last words to me were 'You are the love of my life.'"

INTERNATIONAL CLASSIFIED
Appears on Page 15

Jurassic Park

Tops \$400 Million

United Press International
LOS ANGELES — "Jurassic Park" has grossed more than \$400 million worldwide less than two months after its release.

Universal Studios' dinosaur thriller took in more than \$287 million after 57 days in the United States and \$150 million in foreign countries where, in most cases, the film has played for less than a month.

"Jurassic Park" is currently the third largest grossing movie of all time in the United States after "E.T." and "Star Wars."

WEATHER

Forecast for Wednesday through Friday, as provided by Accu-Weather.



Table with 4 columns: Region, High, Low, Wind, and Precip. Rows include North America, Europe, Asia, and Africa.

Table with 4 columns: Region, High, Low, Wind, and Precip. Rows include Middle East, Latin America, and Oceania.

CROSSWORD

Crossword puzzle grid with clues for Across and Down. Includes a solution to a puzzle from Aug. 9.

If you're going to travel all over the map, here's how to call from almost any point on it.

AT&T Access Numbers table listing international phone numbers for various countries and regions. Includes a large image of a person talking on a phone.